

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2013

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2013

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Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The accompanying combining and individual fund financial statements, the schedule of debt limitation, the schedule of property taxes levied, collections and outstanding balances, the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual fund financial statements, the schedule of debt limitation, the schedule of property taxes levied, collections and outstanding balances, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of the Town of Lebanon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lebanon, Connecticut's internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 7, 2014

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information for the governmental and business-type activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements - Governmental activities

- The Town's total assets exceeded its total liabilities by \$40,373,256 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$38,639,137 as restated. This represents a favorable increase of approximately 4.49%.
- The Town's net investment in capital assets net position balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total net investment in capital assets net position balance of the Town was \$33,482,744 (82.93% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$30,557,278 (79.08% of total net position). This represents an increase of approximately 9.57% which is the result of a decrease in the related long-term debt of \$291,454, current depreciation in the amount of \$1,597,604 and current net capital asset additions in the amount of \$4,231,616. The fixed asset additions consisted in large part of \$2,842,613 in costs related to the Amston lake sewer construction project.
- The Town's restricted net position is used to account for funds received with constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. This net position *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was \$4,104,149 (10.17% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$3,440,596 (8.90% of total net position). This represents an increase of approximately 19.28%. This increase is due in large part to an increase in the fair value of restricted investments within the Trumbull investments fund of \$298,883.
- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$2,786,363 (6.90% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,641,263 (12.01% of total net position) as restated. This represents an unfavorable decrease of approximately 39.97%. Unrestricted net position is calculated by subtracting the known net investment in capital assets balance and the restricted net position balance from the known total net position balance. Therefore, the change in this balance is a direct correlation of the changes in the other two components.
- The Town's total revenues for its governmental activities were \$27,988,253 for the current fiscal. This compares to the prior fiscal year balance of \$27,645,836. This represents an increase of approximately 1.24% or \$342,417. This is due in large part to the current year decrease in operating grants of \$273,303 due to the substantive completion of the Tyler field improvement project which was funded by the State. In addition, property tax revenues increased by \$747,903 due to both a higher annual commitment and a higher than anticipated collection rate.
- The cost of the Town's governmental activities was \$26,254,134 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$14,915,839 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,340,504 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,997,791. This amounts to approximately 56.81% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 55.91% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants where received by department for the current fiscal year is shown on Statement B on page 12 and 13.
- The Board of Education and the related programs of the Town received approximately \$1,057,324 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from the school lunch program to improving basic programs. This compares to approximately \$1,461,885 in the prior fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as deferred revenues on the Statement of net position.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

Financial Highlights - Government-wide financial statements - Business-type activities

- The Town established two internal funds to account for the operations of the Amston Lake Water Pollution Control Authority (the Authority). The actual construction of the sewage system is being accounted for within the governmental activities of the Town until it is completed. Once the construction project has been completed, the resulting assets and liabilities will be transferred to the WPCA assessment enterprise fund of the Authority. The operations of the Authority will be accounted for within the WPCA operating enterprise fund with the costs being funded through the billing of user fees to those properties connected to the sewage system.
- During the current fiscal year the Town approved the transfer of a temporary loan in the amount of \$100,000 to the operating fund of the Authority. The Town expects to begin billing properties connected to the sewage system in the upcoming fiscal year for usage fees which will also be deposited into the operating fund of the Authority.
- During the upcoming fiscal year the Town expects to begin to levy benefit assessments to the properties located along the sewage system which will be made up of a principal portion and an annual borrowed interest assessment portion. These assessments will be accounted for within the WPCA assessment fund and will be used to fund the repayment of all long-term debt related to the construction project.

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 11 through 13 and which provide information about the governmental and business-type activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 14 and 16 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 18 and 19. The proprietary fund financial statements consist of a Statement of net position, a Statement of revenues, expenses and changes in net position and a Statement of cash flows which are shown on pages 20 through 22. The proprietary activities of the Town are accounted for within two enterprise funds which are used to account for the activities of the Amston Lake Water Pollution Control Authority and an internal service fund which is used to account for the self funding dental plan of the Town. The fiduciary fund financial statements consist of a Statement of fiduciary net position and a Statement of changes in fiduciary net position which are shown on page 23. The fiduciary activities of the Town are those for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements relate to agency funds for which the Town is acting in a purely custodial capacity for student and other groups and for private purpose trust funds when amounts have been given to the Town for specific purposes.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 11 with the Statement of net position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the non-fiduciary assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities. The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town and the discretely presented component unit of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and component units. The Authority's activities are classified as both governmental activities and business-type activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.
- Business-type activities - Business-type activities are reported in funds which focus on the determination of operating income, changes in net position, and cash flows. The business-type activities of the Town are accounted for within proprietary funds and more specifically enterprise funds. The Town uses two enterprise funds to account for the activities of the Amston Lake Water Pollution Control Authority which are designed to account for charges for services and other collections to be used to fund the operating activities and the repayment of long-term debt and the capital assets of the Authority.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 14 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage funds for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for educational grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Reporting the Town's other funds - Proprietary funds

Our analysis of the Town's proprietary funds begin on page 20 with the Statement of net position. The statement of net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in a classified format to distinguish between current and long-term assets and liabilities. In addition, the assets and liabilities are presented in the order of their relative liquidity. The statement of revenues, expenses and changes in net position is the operating statement of proprietary funds. This statement also segregates revenues and expenses between the category of operating and non-operating. Operating revenues and expenses are subtracted to come up with the operating income or loss from operations. Non-operating revenues and expenses are then shown by line item in a section following the results of the operations. The proprietary funds of the Town will also utilize a statement of cash flows. The purpose of the statement of cash flows is to provide relevant information about the cash receipts and payments made by these funds during each reporting period. The cash flow statement is broken down between different sections. The Town's proprietary funds are characterized as follows:

- Proprietary funds - Proprietary funds are both governmental and business-type activity funds which focus on the determination of operating income, changes in net position and cash flows. Proprietary funds include both enterprise funds (business-type) and internal service funds (governmental funds).

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

The Town as a trustee - Fiduciary funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is trustee are private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity on behalf of the schools in the form of scholarship funds and on behalf of the library and cemeteries in similar funds. All of the resources of these funds, including any earnings on invested resources, may be used to support their activities. There is no requirement that any portion of these resources be preserved as capital. Agency funds are used to report resources held by the Town in a purely custodial capacity such as student activity accounts.

The Town as a whole - Assets, liabilities, and net position

The information provided below represents government-wide information for the governmental and business-type activities of the Town for the current fiscal year compared to the prior fiscal year. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the total current ratio of the Town was 2.04 to 1 compared to the end of the prior fiscal year when the total current ratio was 1.04 to 1. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive total working capital balance was \$3,745,433. This compares to the prior fiscal year positive balance of \$347,602. The large increase in the current ratio and working capital amounts can be related to the activity in the Amston Lake sewer construction project fund. In the current fiscal year a long-term bond payable through Rural Development was entered into by the Town which was used to pay off a short-term bond anticipation note present in the prior fiscal year in the amount of \$5,100,000. This transaction along with other current fiscal year activity moved balances previously recorded as current liabilities in part into long-term liabilities thus positively increasing both the aforementioned total current ratio and total working capital amounts from the prior fiscal year.

	Governmental activities		Business-type activities		Totals	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 6,854,310	\$ 8,480,212	\$ 442	\$ -	\$ 6,854,752	\$ 8,480,212
Other assets	4,123,674	3,590,302	94,726	-	4,218,400	3,590,302
Capital assets	41,951,825	39,317,813	-	-	41,951,825	39,317,813
	<u>\$52,929,809</u>	<u>\$51,388,327</u>	<u>\$ 95,168</u>	<u>\$ -</u>	<u>\$53,024,977</u>	<u>\$51,388,327</u>
Current and other liabilities	\$ 3,108,747	\$ 8,132,610	\$ 572	\$ -	\$ 3,109,319	\$ 8,132,610
Long-term liabilities	9,447,806	4,616,580	-	-	9,447,806	4,616,580
	<u>\$12,556,553</u>	<u>\$12,749,190</u>	<u>\$ 572</u>	<u>\$ -</u>	<u>\$12,557,125</u>	<u>\$12,749,190</u>
Net position:						
Net Investment capital assets	\$33,482,744	\$30,557,278	\$ -	\$ -	\$33,482,744	\$30,557,278
Restricted	4,104,149	3,440,596	-	-	4,104,149	3,440,596
Unrestricted	2,786,363	4,641,263	94,596	-	2,880,959	4,641,263
	<u>\$40,373,256</u>	<u>\$38,639,137</u>	<u>\$ 94,596</u>	<u>\$ -</u>	<u>\$40,467,852</u>	<u>\$38,639,137</u>
Restricted net position:						
Expendable:						
Restricted investment funds	\$ 2,249,585	\$ 1,948,585	\$ -	\$ -	\$ 2,249,585	\$ 1,948,585
Restricted donation funds	542,337	280,167	-	-	542,337	280,167
Enabling legislation funds	54,462	46,694	-	-	54,462	46,694
Educational program funds	147,534	148,124	-	-	147,534	148,124
Community projects	682,688	663,151	-	-	682,688	663,151
	<u>3,676,606</u>	<u>3,086,721</u>	<u>-</u>	<u>-</u>	<u>3,676,606</u>	<u>3,086,721</u>
Non-expendable:						
Non-USDA inventory	9,250	6,311	-	-	9,250	6,311
Prepaid expenses	96,021	25,294	-	-	96,021	25,294
Permanent funds principal	322,272	322,270	-	-	322,272	322,270
	<u>427,543</u>	<u>353,875</u>	<u>-</u>	<u>-</u>	<u>427,543</u>	<u>353,875</u>
	<u>\$ 4,104,149</u>	<u>\$ 3,440,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,104,149</u>	<u>\$ 3,440,596</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

The Town as a whole - Revenues, expenses, and changes in net position

The information provided below represents government-wide information for the governmental and business-type activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount of total Town expenditures actually financed by the general revenues of the Town. This amount is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year.

	Governmental activities		Business-type activities		Totals	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 1,340,504	\$ 1,535,804	\$ -	\$ -	\$ 1,340,504	\$ 1,535,804
Operating grants	9,216,076	9,489,379	-	-	9,216,076	9,489,379
Capital grants	781,715	690,141	-	-	781,715	690,141
General revenues						
Property tax revenues	15,956,824	15,208,921	-	-	15,956,824	15,208,921
State tax relief revenues	66,180	64,046	-	-	66,180	64,046
Investment fair value change	300,461	98,963	-	-	300,461	98,963
Interest and dividends	80,995	90,724	-	-	80,995	90,724
Miscellaneous	345,498	467,858	-	-	345,498	467,858
Transfers	-100,000	-	100,000	-	-	-
Total revenues	27,988,253	27,645,836	100,000	-	28,088,253	27,645,836
Expenses						
General government	870,630	860,233	-	-	870,630	860,233
Public safety	514,520	506,831	-	-	514,520	506,831
Public works	1,172,313	1,096,271	-	-	1,172,313	1,096,271
Health & social	843,311	981,193	-	-	843,311	981,193
Community preservation	216,428	242,715	-	-	216,428	242,715
Education	19,712,833	19,890,873	-	-	19,712,833	19,890,873
Education - on behalf	1,621,947	1,680,491	-	-	1,621,947	1,680,491
Unclassified and program	629,716	699,056	-	-	629,716	699,056
Capital outlay	-	-	-	-	-	-
Depreciation						
General infrastructure	474,725	459,411	-	-	474,725	459,411
Debt service						
Interest	197,711	155,662	-	-	197,711	155,662
Sewer	-	-	5,404	-	5,404	-
Total expenses	26,254,134	26,572,736	5,404	-	26,259,538	26,572,736
Change in net position	1,734,119	1,073,100	94,596	-	1,828,715	1,073,100
Net position - July 1	38,639,137	37,566,037	-	-	38,639,137	37,566,037
Net position - June 30	<u>\$40,373,256</u>	<u>\$38,639,137</u>	<u>\$ 94,596</u>	<u>\$ -</u>	<u>\$40,467,852</u>	<u>\$38,639,137</u>
Financed by general revenues:						
Total expenses	\$26,254,134	\$26,572,736	\$ 5,404	\$ -	\$26,259,538	\$26,572,736
Less charges for services	-1,340,504	-1,535,804	-	-	-1,340,504	-1,535,804
Less operating grants	-9,216,076	-9,489,379	-	-	-9,216,076	-9,489,379
Less capital grants	-781,715	-690,141	-	-	-781,715	-690,141
	<u>\$14,915,839</u>	<u>\$14,857,412</u>	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$14,921,243</u>	<u>\$14,857,412</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 30 and note 5 on page 38.

	Governmental activities		Percentage of total	
	2013	2012	2013	2012
Land and improvements	\$ 2,121,289	\$ 2,121,289	2.77%	2.93%
Buildings and improvements	35,819,680	35,784,311	46.75%	49.44%
Vehicles	4,177,029	3,724,563	5.45%	5.15%
Equipment	880,583	868,738	1.15%	1.20%
Infrastructure	27,477,834	26,636,485	35.87%	36.80%
Construction in progress	6,138,103	3,247,516	8.01%	4.48%
Total historical value	<u>76,614,518</u>	<u>72,382,902</u>	<u>100.00%</u>	<u>100.00%</u>
Less accumulated depreciation	<u>-34,662,693</u>	<u>-33,065,089</u>		
Total capital assets (net)	<u>\$ 41,951,825</u>	<u>\$ 39,317,813</u>		

Debt administration

The debt of the town includes long-term bonds, notes and capital leases payable, accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. In addition, during the prior fiscal year the town entered into a short-term bond anticipation note agreement in the amount of \$5,100,000. This short-term debt was paid off during the current fiscal year from the proceeds of a long-term bond payable in the amount of \$5,105,000. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year when taking into consideration the aforementioned short-term debt being replaced with long-term debt. The portion due within one year for bonds and notes payable increased by approximately 30.61% as a result of the new long-term bond payable and variations between payment schedules. The portion due after one year increased as a result of the aforementioned new long-term bond payable and as a result of the annual payments made on the individual bonds and notes payable. More detailed information on the Town debt can be found in note 6 on pages 39 and 40.

	Governmental Activities		Percentage of total	
	2013	2012	2013	2012
Bond anticipation note payable	\$ -	\$ 5,100,000	-	57.02%
Bonds, notes and capital leases payable:				
Portion due within one year	558,518	427,618	6.49%	4.79%
Portion due after one year	7,910,563	3,232,917	91.97%	36.15%
Accrued compensated absences - school	20,798	66,321	0.24%	0.74%
Accrued compensated absences - town	33,314	28,311	0.39%	0.32%
Accrued landfill post-closure costs	<u>77,631</u>	<u>89,131</u>	<u>0.91%</u>	<u>0.98%</u>
Total debt	<u>\$ 8,600,824</u>	<u>\$ 8,944,298</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental and business-type activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 14 and the Statement of revenues, expenditures, and changes in fund balances on page 16.

Financial highlights - Fund financial statements - Governmental funds

- The total assets of the Town's governmental funds exceeded the total liabilities by \$8,009,965 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$9,044,112, an unfavorable decrease of approximately 11.43% or \$1,034,147. This unfavorable decrease is due mostly to the net results of the town construction projects fund which were a negative \$2,115,328 and was the result of the expenditure of the prior fiscal year unexpended portion of a bond anticipation note. In addition, the net results of the town's general fund was a positive \$1,072,373. These increases and decreases and other fund changes can be seen by reviewing Statement D on page 16 and the corresponding combining schedules and sub-schedules as shown in the table of contents.
- The total revenues of the Town's governmental funds were \$28,113,766 for the current fiscal year in comparison to \$27,561,084 in the prior fiscal year. This represents an increase of approximately 2.00% or \$552,682. This is due in large part to the current year change in property taxes, interest and liens revenue which was a positive increase in the amount of \$782,386. This increase was due to both a higher annual commitment and a higher than anticipated collection rate. In addition, the intergovernmental other revenue current year change was a negative \$291,419 which was the result in part of decreased local capital improvement revenue being received from the State in the amount of \$266,121.
- The total expenditures of the Town's governmental funds were \$34,320,359 for the current fiscal year in comparison to \$29,430,154 in the prior fiscal year. This represents an increase of approximately 16.62% or \$4,890,205. This increase is made up a number of increases and decrease within the funds of the Town. The town construction fund increased its expenditures by \$5,135,904 due to the payment of a short-term bond anticipation note from the prior fiscal year in the amount of \$5,100,000. In addition, the general fund education expenditures decreased by \$85,499 and the general fund education on-behalf expenditures decreased by \$58,544. There were a number of other expenditure account increases and decreases from the prior fiscal year to the current fiscal year.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$1,072,373 for the current fiscal year in comparison to a positive \$739,624 for the prior fiscal year. This represents a favorable increase of approximately 45.00% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$322,032 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$43,988 higher for the prior fiscal year which was also a favorable variance. During the current fiscal year the actual school tuition revenue received was \$21,254 higher than the budgeted amount in comparison to \$138,903 lower for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing and other related revenues were \$53,105 higher than the budgeted amounts in comparison to \$57,238 higher for the prior fiscal year. In addition, during the current fiscal year the amount recorded for intergovernmental other revenues was \$60,472 higher than the budgeted amount in comparison to \$51,482 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$948,320 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$430,613 lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance. This current fiscal year under expenditure can be attributed in large part to the board of education which was \$680,729 under the original budget, the snow removal account which was \$39,044 under the original budget, the water pollution control account which was \$62,056 under the original budget and the contingency account which was \$93,352 under the adjusted budget amount.
- In the current fiscal year, the inhabitants of the Town approved the use of \$100,000 of its unassigned general fund balance as appropriations to be transferred as a temporary loan to the Amston Lake Water Pollution Control Authority operating fund and an additional amount of \$94,241 for individual projects and remaining deficit balances within the capital non-recurring fund. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year, the inhabitants of the Town approved the use of \$485,000 of its unassigned fund balance in a similar manner for a number of different items.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2013

Business-type activities - Amston Lake Water Pollution Control Authority

The business-type activities of the Town consist of two enterprise or proprietary funds which are being used to account for both the operating activities and the benefit assessment activities of the Amston Lake Water Pollution Control Authority (the Authority). The Authority was established for the purpose of operating a sewage system located around Amston Lake within the Town. The construction of the sewage system is being accounted for as a major capital project fund of the Town. Once the construction project has been completed, the resulting assets and liabilities will be transferred to the WPCA assessment enterprise fund of the Authority. The operations of the Authority will be accounted for within the WPCA operating enterprise fund with the costs being funded through the billing of user fees to those properties connected to the sewage system. Benefit assessments will be assessed to all properties located along the sewage system along with a borrowed interest assessment. The revenues from these assessments will be used to fund the long-term debt principal and interest payments relating to the construction project.

Discretely presented "component unit"

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. The financial information of the Department has been included in the government-wide statement of net position and statement of activities.

Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net position and unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. There are no currently known facts, decisions or conditions that the Town believes will significantly effect the financial position or results of the operations of the Town in the future.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

Town of Lebanon, Connecticut
Statement of net position
June 30, 2012

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Assets:				
Current assets:				
Cash	\$ 902,438	\$ 442	\$ 902,880	\$ 121,349
Investments	5,166,033	-	5,166,033	489,564
Accounts receivable	661,088	-	661,088	-
Tax acquired property	13,361	-	13,361	-
Inventories	15,369	-	15,369	-
Prepaid items	96,021	-	96,021	-
Total current assets	6,854,310	442	6,854,752	610,913
Capital assets				
Non-depreciable	8,259,392	-	8,259,392	-
Depreciable (net)	33,692,433	-	33,692,433	160,386
Total capital assets	41,951,825	-	41,951,825	160,386
Other assets				
Restricted cash	860,973	-	860,973	-
Restricted investments	2,575,142	-	2,575,142	-
Long-term accounts receivable	104,105	-	104,105	-
Notes receivable	678,180	-	678,180	-
Internal balances	-94,726	94,726	-	-
Total other assets	4,123,674	94,726	4,218,400	-
Total Assets	\$ 52,929,809	\$ 95,168	\$ 53,024,977	\$ 771,299
Liabilities:				
Accounts payable	\$ 941,663	\$ 155	\$ 941,818	\$ 74,316
Accrued hourly payroll	135,751	-	135,751	-
Accrued summer salaries	909,206	-	909,206	-
Other liabilities	90,776	-	90,776	-
Deferred revenues	472,833	417	473,250	-
Long-term debt				
Portion due within one year	558,518	-	558,518	-
Portion due after one year	7,910,563	-	7,910,563	-
Accrued compensated absences	54,112	-	54,112	-
Accrued landfill post closure care cost	77,631	-	77,631	-
Other post-employment benefit liability	1,405,500	-	1,405,500	-
Total liabilities	12,556,553	572	12,557,125	74,316
Net Position:				
Net Investment in capital assets	33,482,744	-	33,482,744	160,386
Restricted				
Expendable	3,676,606	-	3,676,606	-
Non-expendable	427,543	-	427,543	-
Unrestricted	2,786,363	94,596	2,880,959	536,597
Total net position	40,373,256	94,596	40,467,852	696,983
Total liabilities and net position	\$ 52,929,809	\$ 95,168	\$ 53,024,977	\$ 771,299

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government	\$ -870,630	\$ 96,999	\$ -	\$ -
Public safety	-514,520	60,346	71,504	-
Public works	-1,172,313	119,842	143,798	-
Health & social	-843,311	68,428	338,308	-
Community preservation	-216,428	18,546	4,000	-
Education	-19,712,833	973,343	6,844,606	-
Education - on behalf	-1,621,947	-	1,621,947	-
Unclassified and program	-629,716	3,000	191,913	-
Capital outlay	-	-	-	781,715
Depreciation				
General infrastructure	-474,725	-	-	-
Debt service				
Interest	-197,711	-	-	-
Total governmental activities	<u>-26,254,134</u>	<u>1,340,504</u>	<u>9,216,076</u>	<u>781,715</u>
Business-type activities:				
WPCA operating fund	-5,254	-	-	-
WPCA benefit assessments fund	-150	-	-	-
Total business-type activities	<u>-5,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ -26,259,538</u></u>	<u><u>\$ 1,340,504</u></u>	<u><u>\$ 9,216,076</u></u>	<u><u>\$ 781,715</u></u>
Component unit:				
Volunteer fire department	<u><u>\$ -333,227</u></u>	<u><u>\$ 163,639</u></u>	<u><u>\$ 144,274</u></u>	<u><u>\$ -</u></u>

General revenues:

Property tax revenues, interest, and liens
State property tax relief revenues
Net change in fair value of investments
Interest and dividends
Miscellaneous
Transfers
Total general revenues

Change in net position

Net position - July 1**Net position - June 30**

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2013

	Net (expenses) revenues and changes in net position			
	Primary government		Component unit	
	Governmental activities	Business-type activities	Total	Volunteer fire department
Primary government:				
Governmental activities:				
General government	\$ -773,631	\$ -	\$ -773,631	\$ -
Public safety	-382,670	-	-382,670	-
Public works	-908,673	-	-908,673	-
Health & social	-436,575	-	-436,575	-
Community preservation	-193,882	-	-193,882	-
Education	-11,894,884	-	-11,894,884	-
Education - on behalf	-	-	-	-
Unclassified and program	-434,803	-	-434,803	-
Capital outlay	781,715	-	781,715	-
Depreciation				
General infrastructure	-474,725	-	-474,725	-
Debt service				
Interest	-197,711	-	-197,711	-
Total governmental activities	-14,915,839	-	-14,915,839	-
Business-type activities:				
WPCA operating fund	-	-5,254	-5,254	-
WPCA benefit assessments fund	-	-150	-150	-
Total business-type activities	-	-5,404	-5,404	-
Total primary government	-14,915,839	-5,404	-14,921,243	-
Component unit:				
Volunteer fire department	-	-	-	-25,314
	15,956,824	-	15,956,824	-
	66,180	-	66,180	-
	300,461	-	300,461	-
	80,995	-	80,995	1,921
	345,498	-	345,498	30,231
	-100,000	100,000	-	-
	16,649,958	100,000	16,749,958	32,152
	1,734,119	94,596	1,828,715	6,838
	38,639,137	-	38,639,137	690,145
	<u>\$ 40,373,256</u>	<u>\$ 54,596</u>	<u>\$ 40,467,852</u>	<u>\$ 696,983</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2013

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
Assets						
Cash	\$ 1,274,982	\$ -	\$ -	\$ -	\$ 454,853	\$ 1,729,835
Investments	5,130,657	35,376	-	2,249,585	325,557	7,741,175
Receivables (net of allowance)						
Property taxes	481,755	-	-	-	1,287	483,042
Intergovernmental	67,861	-	-	-	72,097	139,958
Other	10,363	-	27,725	-	-	38,088
Notes receivable	-	-	-	-	678,180	678,180
Tax acquired property	13,361	-	-	-	-	13,361
Inventories	-	-	-	-	15,369	15,369
Prepaid items	96,021	-	-	-	-	96,021
Due from other funds	917,769	203,661	148,274	-	1,239,294	2,508,998
Total assets	<u>\$ 7,992,769</u>	<u>\$ 239,037</u>	<u>\$ 175,999</u>	<u>\$ 2,249,585</u>	<u>\$ 2,786,637</u>	<u>\$ 13,444,027</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 574,979	\$ 229,558	\$ 18,170	\$ -	\$ 115,742	\$ 938,449
Accrued hourly payroll	121,913	-	-	-	13,838	135,751
Accrued summer salaries	886,211	-	-	-	22,995	909,206
Other liabilities	84,157	-	-	-	6,119	90,276
Deferred property tax revenues	396,662	-	-	-	1,287	397,949
Deferred other revenues	358,707	-	-	-	-	358,707
Due to other funds	1,684,154	598,037	-	-	321,533	2,603,724
Total liabilities	<u>4,106,783</u>	<u>827,595</u>	<u>18,170</u>	<u>-</u>	<u>481,514</u>	<u>5,434,062</u>
Fund balances:						
Nonspendable	96,021	-	-	-	331,522	427,543
Restricted	-	-	-	2,249,585	1,543,480	3,793,065
Committed	-	203,661	157,829	-	417,398	778,888
Assigned	-	-	-	-	123,847	123,847
Unassigned	3,789,965	-792,219	-	-	-111,124	2,886,622
Total fund balances	<u>3,885,986</u>	<u>-588,558</u>	<u>157,829</u>	<u>2,249,585</u>	<u>2,305,123</u>	<u>8,009,965</u>
Total liabilities and fund balances	<u>\$ 7,992,769</u>	<u>\$ 239,037</u>	<u>\$ 175,999</u>	<u>\$ 2,249,585</u>	<u>\$ 2,786,637</u>	<u>\$ 13,444,027</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement C to Statement A
for all governmental funds and activities
June 30, 2013

Fund balances of governmental funds as shown on Statement C \$ 8,009,965

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

- | | | |
|--|-------------|-------------|
| 1 Capital assets used in governmental activities are not financial resources and are not reported on Statement C however they are reported on Statement A and must be added in: | | |
| Cost | 76,614,518 | |
| Less accumulated depreciation | -34,662,693 | 41,951,825 |
| 2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in: | | 396,662 |
| 3 Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting. In addition, Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue. The Town defers all revenues that are received prior to their normal period of receipt. The government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are deferred on Statement A and therefore they must be subtracted out: | | -112,839 |
| 4 Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A with the exception of balances between the governmental activities of the Town and the business-type activities of the Town which are still shown on Statement A as internal balances: | | |
| Inter fund receivables | 2,508,848 | |
| Inter fund payables | -2,508,848 | - |
| 5 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and therefore they must be subtracted out: | | |
| Other post-employment benefits liability | -1,405,500 | |
| Bonds and notes payable | -8,317,571 | |
| Capital leases payable | -151,510 | |
| Accrued compensated balances | -54,112 | |
| Estimated liability for post closure landfill care | -77,631 | -10,006,324 |
| 6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable in the fund financial statements however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in: | | 104,105 |
| 7 The assets, liabilities and net position of the internal service fund are not reported on Statement C however they are reported on Statement A and therefore the net position balance of this fund must be added back in: | | 29,862 |

Net position of governmental activities as shown on Statement A \$ 40,373,256

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2013

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investment funds	Non-major governmental funds	Totals
Revenues						
Property taxes, interest, and liens	\$ 15,528,089	\$ -	\$ -	\$ -	\$ 425,921	\$ 15,954,010
Intergovernmental - education	5,800,741	-	-	-	1,057,324	6,858,065
Intergovernmental - on behalf	1,621,947	-	-	-	-	1,621,947
Intergovernmental - tax relief	66,180	-	-	-	-	66,180
Intergovernmental - other	219,459	781,494	-	-	235,874	1,236,827
Tuition	749,938	-	-	-	-	749,938
Charges for services	287,746	-	-	-	302,820	590,566
Net change in investment fair value	-	-	-	298,883	1,578	300,461
Interest and dividends	12,173	941	-	60,975	6,906	80,995
Miscellaneous	67,367	-	28,225	-	559,185	654,777
Total revenues	24,353,640	782,435	28,225	359,858	2,589,608	28,113,766
Expenditures						
Current:						
General government	809,654	-	28,375	-	53,654	891,683
Public safety	346,308	-	-	-	30,762	377,070
Public works	1,060,395	-	1,165	-	33,815	1,095,375
Health & social	184,602	-	-	-	636,609	821,211
Community preservation	139,212	-	66,697	-	10,519	216,428
Education	17,188,624	-	202,549	-	1,380,313	18,771,486
Education - on behalf	1,621,947	-	-	-	-	1,621,947
Unclassified and program	476,712	-	-	79	151,465	628,256
Capital outlay	-	2,842,613	1,138,004	-	-	3,980,617
Non-cash capital lease purchase	-	-	167,446	-	-	167,446
Debt service:						
Principle	414,847	5,100,000	36,282	-	-	5,551,129
Interest	132,098	60,150	5,463	-	-	197,711
Total expenditures	22,374,399	8,002,763	1,645,981	79	2,297,137	34,320,359
Excess (deficiency) of revenues over (under) expenditures	1,979,241	-7,220,328	-1,617,756	359,779	292,471	-6,206,593
Other financing sources (uses)						
Non-cash capital lease proceeds	-	-	167,446	-	-	167,446
Debt issuance proceeds	-	5,105,000	-	-	-	5,105,000
Temporary inter fund loan	-100,000	-	-	-	-	-100,000
Transfers in	262	-	807,130	-	59,079	866,471
Transfers out	-807,130	-	-	-58,779	-562	-866,471
Total other financing sources (uses)	-906,868	5,105,000	974,576	-58,779	58,517	5,172,446
Net change in fund balance	1,072,373	-2,115,328	-643,180	301,000	350,988	-1,034,147
Fund balances - July 1	2,813,613	1,526,770	801,009	1,948,585	1,954,135	9,044,112
Fund balances - June 30	<u>\$ 3,885,986</u>	<u>\$ -588,558</u>	<u>\$ 157,829</u>	<u>\$ 2,249,585</u>	<u>\$ 2,305,123</u>	<u>\$ 8,009,965</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement D to Statement B
for all governmental funds and activities
June 30, 2013

Net changes in governmental fund balances as shown on Statement D \$ -1,034,147

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

- 1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:

Current year capital asset purchases to be capitalized	4,231,616	
Current year depreciation expense on current and previous capital assets	-1,597,604	2,634,012

- 2 Property tax revenues are recognized on Statement D as described in note 1H of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1H must be added back in or subtracted back out: 3,756

- 3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement D and deferred in Statement B:

Prior year deferred revenue amounts to be recognized	84,512	
Current year revenue amounts to be deferred	-112,839	-28,327

- 4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B with the exception of transfers between the governmental and business-type activities of the Town which are still shown on Statement B as transfers:

Transfers in	866,471	
Transfers out	-866,471	-

- 5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:

Other post-employment benefits liability increase	-205,600	
Bonds and notes payable proceeds	-5,105,000	
Bonds and notes payable repayment	414,847	
Capital leases payable proceeds	-167,446	
Capital leases payable repayment	49,053	
Bond anticipation note repayment	5,100,000	
Accrued compensated balances decrease	40,520	
Estimated liability for post closure landfill care decrease	11,500	137,874

- 6 Estimated accounts receivable for delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on Statement B and therefore must not be shown as current activity:

Prior year recorded delinquent interest and lien receivable balance	-105,047	
Current year recorded delinquent interest and lien receivable balance	104,105	-942

- 7 Net income from the internal service fund is not reported in Statement D however it is reported in Statement B and therefore must be added back in: 21,893

Change in net position of governmental activities as shown on Statement B \$ 1,734,119

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2013

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues, interest and liens	\$ 15,821,487	\$ -	\$ 15,821,487	\$ 15,949,203	\$ 127,716
Intergovernmental - education	5,747,636	-	5,747,636	5,800,741	53,105
Intergovernmental - tax relief	63,781	-	63,781	66,180	2,399
Intergovernmental - other	158,987	-	158,987	219,459	60,472
Tuition	728,684	-	728,684	749,938	21,254
Charges for services	248,500	-	248,500	287,746	39,246
Interest and dividends	12,000	-	12,000	12,173	173
Miscellaneous	49,700	-	49,700	67,367	17,667
Total revenues	22,830,775	-	22,830,775	23,152,807	322,032
Expenditures					
General government:					
Legal counsel	30,000	-	30,000	28,285	1,715
Selectmen	118,410	449	118,859	118,457	402
Elections	37,865	-	37,865	28,101	9,764
Probate court	2,479	-	2,479	2,199	280
Board of finance	2,000	-	2,000	1,325	675
Finance office	116,631	-	116,631	115,197	1,434
Tax collector	65,160	-	65,160	61,463	3,697
Board of appeals	1,000	-	1,000	787	213
Town clerk	87,968	3,835	91,803	91,802	1
Assessor	61,303	3,778	65,081	65,081	-
Auditor	15,000	-	15,000	13,000	2,000
Town report	1,000	-	1,000	931	69
Computer service	74,706	1,870	76,576	76,575	1
Town hall	55,475	141	55,616	55,616	-
Insurance	158,812	-	158,812	150,835	7,977
	827,809	10,073	837,882	809,654	28,228
Public safety:					
Police services	180,000	-	180,000	175,318	4,682
Lebanon volunteer fire department	95,000	-	95,000	95,000	-
Fire marshall	16,443	-	16,443	15,276	1,167
Burning official	2,500	264	2,764	2,764	-
Building department	21,197	71	21,268	21,269	-1
Fire safety complex	34,660	2,046	36,706	36,576	130
Tree warden	175	-	175	105	70
	349,975	2,381	352,356	346,308	6,048
Public works:					
Department of public works	639,595	10,977	650,572	645,508	5,064
Buildings and grounds	98,332	-3,141	95,191	89,486	5,705
Snow removal	150,000	-	150,000	110,956	39,044
Street lights	1,600	511	2,111	2,111	-
Solid waste facility	190,000	-	190,000	181,944	8,056
Cemetery commission	12,374	345	12,719	12,719	-
Water pollution control	79,727	-	79,727	17,671	62,056
	1,171,628	8,692	1,180,320	1,060,395	119,925
Health & social:					
Health department	15,515	-	15,515	15,321	194
Vna	1,000	-	1,000	1,000	-
Human services	17,810	412	18,222	18,222	-

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2013

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
Wcmh Paramedic program	\$ 35,470	\$ 5,994	\$ 41,464	\$ 41,464	\$ -
United services	5,115	-	5,115	5,115	-
Switch board	48,857	-	48,857	45,734	3,123
Special events	1,000	-	1,000	1,000	-
Senior center operations	53,950	2,796	56,746	56,746	-
	178,717	9,202	187,919	184,602	3,317
Community preservation:					
Planning and zoning	134,105	-	134,105	132,165	1,940
Zoning board of appeals	4,060	-	4,060	3,038	1,022
Economic development commission	2,000	-	2,000	1,759	241
Inland wetlands	2,000	-	2,000	2,000	-
Conservation commission	250	-	250	250	-
	142,415	-	142,415	139,212	3,203
Education	17,869,353	-	17,869,353	17,188,624	680,729
Unclassified and program:					
Social security	96,273	-	96,273	87,813	8,460
Medical life insurance	224,550	21,500	246,050	253,205	-7,155
Pension plan	133,907	-	133,907	124,877	9,030
Unemployment compensation	10,000	-	10,000	10,817	-817
Contingency	150,000	-56,648	93,352	-	93,352
	614,730	-35,148	579,582	476,712	102,870
Debt service:					
Principal	414,847	-	414,847	414,847	-
Interest	132,098	-	132,098	132,098	-
	546,945	-	546,945	546,945	-
Total expenditures	21,705,572	-4,800	21,700,772	20,752,452	948,320
Excess of revenues over (under) expenditures	1,129,203	4,800	1,134,003	2,400,355	1,266,352
Other financing sources (uses)					
Utilization of unassigned fund balance					
Temporary inter fund loan - see note 4	-	100,000	100,000	-	-100,000
Operating and budgetary transfers	-	94,241	94,241	-	-94,241
Transfers in	-	-	-	262	262
Transfers out	-1,129,203	-199,041	-1,328,244	-1,328,244	-
Total other financing sources (uses)	-1,129,203	-4,800	-1,134,003	-1,327,982	-193,979
Net change in fund balance	-	-	-	1,072,373	1,072,373
Non-budgeted State on behalf revenue				1,621,947	
Non-budgeted State on behalf expenditure				-1,621,947	
Fund balances - July 1				2,813,613	
Fund Balance - June 30				<u>\$ 3,885,986</u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of net position
Proprietary funds
June 30, 2013

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Assets:				
Current assets:				
Cash	\$ 25	\$ 417	\$ 442	\$ 33,576
Investments	-	-	-	-
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	94,876	-150	94,726	-
Total assets	94,901	267	95,168	33,576
Capital assets				
Non-depreciable	-	-	-	-
Depreciable (net)	-	-	-	-
Total capital assets	-	-	-	-
Total Assets	\$ 94,901	\$ 267	\$ 95,168	\$ 33,576
Liabilities:				
Accounts payable	\$ 155	\$ -	\$ 155	\$ 3,214
Other liabilities	-	-	-	500
Deferred revenues	-	417	417	-
Due to other funds	-	-	-	-
Total liabilities	155	417	572	3,714
Net Position:				
Restricted				
Expendable	-	-	-	-
Non-expendable	-	-	-	-
Unrestricted	94,746	-150	94,596	29,862
Total net position	94,746	-150	94,596	29,862
Total liabilities and net position	\$ 94,901	\$ 267	\$ 95,168	\$ 33,576

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenses and changes in net position
Proprietary funds
For the year ended June 30, 2013

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Operating revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ 205,433
Fees	-	-	-	-
Other operating revenues	-	-	-	-
Total operating revenues	-	-	-	205,433
Operating expenses:				
Personal services	-	-	-	-
Contractual services	-	-	-	183,540
Operation and maintenance	5,254	150	5,404	-
Depreciation	-	-	-	-
Administrative costs	-	-	-	-
Total operating expenses	5,254	150	5,404	183,540
Total operating income (loss)	-5,254	-150	-5,404	21,893
Nonoperating revenues (expenses):				
Investment earnings	-	-	-	-
Fiscal charges	-	-	-	-
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-
Total Income (loss)	-5,254	-150	-5,404	21,893
Contributions and transfers:				
Capital contributions	-	-	-	-
Transfers in	100,000	-	100,000	-
Transfers out	-	-	-	-
Total contributions and transfers	100,000	-	100,000	-
Change in net position	94,746	-150	94,596	21,893
Net position - July 1	-	-	-	7,969
Net position - June 30	<u>\$ 94,746</u>	<u>\$ -150</u>	<u>\$ 94,596</u>	<u>\$ 29,862</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of cash flows
Proprietary funds
For the year ended June 30, 2013

	Business-type activities		Governmental activities	
	Enterprise funds		Internal service fund	
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Cash flows from operating activities:				
Receipts from employees and town	\$ -	\$ -	\$ -	\$ 205,432
Receipts from customers and users	-	417	417	-
Payments for goods and services	-	-	-	-186,840
Other items	-	-	-	-
Net cash from operating activities	-	417	417	18,592
Cash flows from noncapital financing activities:				
Transfers to or from other funds	25	-	25	-
Interest paid	-	-	-	-
Net cash from noncapital financing activities	25	-	25	-
Cash flows from capital and related financing activities:				
Capital asset additions	-	-	-	-
Proceeds from debt issuance	-	-	-	-
Principle payments of long-term debt	-	-	-	-
Net cash from capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Investment additions	-	-	-	-
Interest and other receipts	-	-	-	-
Net cash from investing activities	-	-	-	-
Change in cash and cash equivalents	25	417	442	18,592
Cash and cash equivalents - July 1	-	-	-	14,984
Cash and cash equivalents - June 30	\$ 25	\$ 417	\$ 442	\$ 33,576
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ -5,254	\$ -150	\$ -5,404	\$ 21,893
Adjustments:				
Changes in operating assets and liabilities				
(Increase) decrease in due from other funds	5,099	-	5,099	-
Increase (decrease) in accounts payable	155	150	305	-3,301
Increase (decrease) in deferred revenues	-	417	417	-
Net cash from operating activities	\$ -	\$ 417	\$ 417	\$ 18,592

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary net position and Statement of changes
in fiduciary net position - Fiduciary funds
As of and for the year ended June 30, 2013

	Private purpose trusts	Agency funds	Total
Assets:			
Cash	\$ 9,757	\$ 83,227	\$ 92,984
Investments	72,374	25,637	98,011
Accounts and other receivables	-	-	-
Inventories and prepaid items	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 82,131</u>	<u>\$ 108,864</u>	<u>\$ 190,995</u>
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenues	-	-	-
Due to other funds	-	-	-
Due to student groups	-	92,400	92,400
Due to other groups	-	16,464	16,464
Total liabilities	<u>-</u>	<u>108,864</u>	<u>108,864</u>
Net position:			
Restricted			
Expendable	82,131	-	82,131
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net position	<u>82,131</u>	<u>-</u>	<u>82,131</u>
Total liabilities and net position	<u>\$ 82,131</u>	<u>\$ 108,864</u>	<u>\$ 190,995</u>
Additions			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	329	-	329
Net change in investment fair value	-	-	-
Miscellaneous	-	-	-
Total additions	<u>329</u>	<u>-</u>	<u>329</u>
Deductions			
Salary and wages	-	-	-
Program operating costs	1,075	-	1,075
Capital expenditures	-	-	-
Total deductions	<u>1,075</u>	<u>-</u>	<u>1,075</u>
Change in net position	-746	-	-746
Net position - July 1	<u>82,877</u>	<u>-</u>	<u>82,877</u>
Net position - June 30	<u>\$ 82,131</u>	<u>\$ -</u>	<u>\$ 82,131</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2013

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. The financial information of the Department has been included in the government-wide statement of net position and statement of activities.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Hospital Paramedics. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the Town. The Department returned \$27,725 to the Town during the current fiscal year. This amount is shown as a miscellaneous revenue item within the capital and non-recurring major fund of the Town and as an expenditure within discretely presented component unit. The Department also receives memorial and trust funds as designated by the individual donor. These funds are shown as part of the general operating fund of the Department as part of the discretely presented component unit. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition. The memorial fund trust is to be used for memorial type activities.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2013

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and the discretely presented component unit as well as the governmental and business-type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town and the discretely presented component unit at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets (total capital assets net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Internal balances between individual funds within the governmental activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance on the statement of net position which would cancel out in the total column for the primary government.

The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town and the discretely presented component unit of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation is in reference to both governmental and business-type activities. Internal activity between the governmental and business-type activities of the Town would be shown as transfers on the statement of activities which would cancel out in the total column for the primary government.

2. Measurement focus and basis of accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the Town and the discretely presented component unit. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2013

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, a statement of net position - proprietary funds, a statement of revenues, expenses and changes in net position - proprietary funds, a statement of cash flows - proprietary funds, and a statement of fiduciary net position and a statement of changes in fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, proprietary funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund, and other non-major governmental fund types such as special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town with the exception of those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law, contractual agreement, governing body motion or town meeting to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the general fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Proprietary and fiduciary fund reporting focuses on net position and changes in net position. The proprietary funds of the town consist of two enterprise funds which are used to account for the user fees and benefit assessments relating to the Amston Lake Water Pollution Control Authority (the Authority) and an internal service fund which is used to account for the self funding dental activities of the town. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity on behalf of the schools in the form of scholarship funds and on behalf of the library and cemeteries in similar funds. All of the resources of these funds, including any earnings on invested resources, may be used to support their activities. There is no requirement that any portion of these resources be preserved as capital. Agency funds are used to report resources held by the Town in a purely custodial capacity. Agency funds of the Town consist of the student activity accounts located at the Board of Education and funds received from Board of Education retirees to be put toward the payment of health insurance benefits.

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- e. Enterprise funds - Enterprise funds are used to account for those operations that are financed and operated in a manner which is similar to private business operations or where the Town has decided that the periodic determination of revenues earned, expenses incurred, and /or net income is necessary for management accountability. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. However, certain instances require the use of an enterprise fund, for example, if the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs. The Town uses enterprise funds to account for both its operating activities which are funded through user fees and its benefit assessments fund which is funded through the actual benefit assessment as well as a borrowed interest assessment both of which relate to the Authority.
- f. Internal service funds - Internal service funds can be used for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity. The Town uses an internal service fund to account for its self funding dental activities.
- g. Private-purpose trust funds - All trust arrangements other than those defined as pension trust funds and investment trust funds are described as private-purpose trust funds under which the principal and income of the fund benefit individuals, private organizations, or other governments.
- h. Agency funds - Agency funds represent resources held in a purely custodial capacity for individuals, private organizations, or other governments.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet with a description of the meaning and purpose of each category being shown in note 1S starting on page 33. An accompanying schedule is required to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the these funds. The assets and liabilities are presented in a classified format to distinguish between current and long-term assets and liabilities. In addition, the assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets, restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Capital contributions are not displayed as a separate component of net position. In addition, any designations that the Town may make of the unrestricted net position balance will not be reported on the face of the statements but will rather be disclosed in the notes to the financial statements. Internal balances between individual funds within the governmental activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance on the statement of net position which would cancel out in the total column for the primary government.

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The statement of revenues, expenses and changes in fund net position is the operating statement of proprietary funds. The Town's business-type operations are accounted for as an enterprise fund which is a proprietary fund. The revenues on this statements should be reported by major sources. This statement also segregates revenues and expenses between the category of operating and non-operating. Operating revenues and expenses are subtracted to come up with the operating income or loss from operations. Non-operating revenues and expenses are then shown by line item in a section following the results of the operations. If the proprietary fund of the Town were to have any revenues from capital contributions, special or extraordinary items or transfers, they would be accounted for in a section after the non-operating results section. The results of all three of these sections would then be consolidated to come up with a changes in net position balance.

The proprietary funds of the Town also utilize a statement of cash flows. The purpose of the statement of cash flows is to provide relevant information about the cash receipts and payments made by the Town during each reporting period. The cash flow statement is broken down between different sections. These sections are an operations section, a non-capital financing transactions section, a capital and related financing transactions section and an investing section. These sections report the relevant cash flow results of each specific activity that occurred during the reporting period. A reconciliation of operating income to the net cash flows from operating activities should also be shown. This reconciliation is designed to provide information about the net affects of operating transactions and other events that effect operating income and cash flows in different periods.

The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town which consist of private-purpose trust funds and agency funds. The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position.

2. Measurement focus and basis of accounting

In regard to the governmental activities of the Town, the balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year, when applicable. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

In regard to the proprietary fund activities of the Town, the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town. However, the Town may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

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E. Investments

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have types of investments other than those authorized by the State. However, they represent assets which have been donated to the Town and therefore are not subject to the limitations of the applicable State statutes. These donated investments are reported in the fund financial statements in the Trumbull investments fund as well as within the permanent trust funds.

F. Revenue recognition - property taxes

The Town's property tax for the current year was levied June 12, 2012 on the grand list as of October 1, 2011, for the real, motor vehicle and personal property located in the Town at a rate of 23.6 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2012, and January 1, 2013. Supplemental motor vehicle taxes were due on January 1, 2013. Interest on unpaid taxes commenced 30 days after the aforementioned due dates, at 18% per annum or 1.50% per month. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principal assessment is recorded as revenue.

G. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and other miscellaneous amounts. On the government-wide financial statements, the current year accounts receivable balance of \$661,088 is made up of general property taxes receivable of \$481,755, the Lake Williams special assessment receivable of \$1,287, state, federal and other grant receivables of \$137,604 and other miscellaneous receivables of \$40,442. The long-term accounts receivable balance of \$104,105 is made up of the accumulated delinquent interest and fees on active property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The notes receivable balance of \$678,180 is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 41. All of the above mentioned receivable amounts are also recorded on the fund financial statements with the exception of the accumulated delinquent interest and fees on property tax principal amounts which are only required to be reported on the government-wide financial statements. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

H. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The Town foreclosed on two properties during the current fiscal year which were classified as tax acquired property at a value based on the outstanding principal tax balance of the properties of \$6,933 bringing total value of the tax acquired property of the town to \$13,361.

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used. The Town currently has recorded an inventory amount of \$15,369 as it relates to the school lunch program.

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J. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

K. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an inter fund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet and other related fund financial statements must equal. The inter fund balances and related activities of the governmental funds of the Town have been eliminated in the government-wide statement of net position and the statement of activities, however, the inter fund balances and related activity between the governmental and business-type activities of the Town are not eliminated on these statements.

L. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net position and the proprietary funds statement of net position. The capital assets of the component unit of the Town are accounted for in the same manner.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above.

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M. Deferred revenue

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as deferred revenue. The current year deferred revenue balance of \$472,833 for the governmental activities of the Town on the government-wide statement of net position is made up of unearned Town and educational grant balances of \$112,839, property tax receipts collected in the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$358,707 and the outstanding Lake Williams special assessment balance of \$1,287. The current year deferred revenue balance of \$417 for the business-type activities of the Town on the government-wide statement of net position is made up of an overpayment of taxes by an individual which will be applied to the user fees billings in the upcoming fiscal year. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which it applies and other miscellaneous items are recorded as deferred revenue. The current year deferred revenue balance of \$756,656 on the fund financial statements is made up of the property tax receivable balance not expected to be received within the first 60 days after the fiscal year end of \$396,662, property tax receipts collected in the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$358,707 and the outstanding Lake Williams special assessment balance of \$1,287. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue.

N. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment is considered by the Town to be a specific revenue source which is committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund. Therefore, on the Statement of revenues, expenditures and changes in fund balances (Statement D), property tax revenues have been shown for these specific special revenue funds with no transfers in or out being shown in either the general fund or the special revenue funds. On the Budget to actual statement for the general fund (Statement E) these amounts have been shown as property tax revenues for the general fund and as transfers out for the general fund in accordance with the approved budget of the Town. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments in accordance with applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data shown in the financial statements is as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 7, 2012.

	Revenues and other financing sources	Expenditures and other financing uses	Net change in fund balance
Statement D - GAAP basis	\$ 24,353,902	\$ -23,281,529	\$ 1,072,373
Tax commitment for special revenue funds	421,114	-421,114	-
State on-behalf payments	-1,621,947	1,621,947	-
Statement E - Budgetary basis	<u>\$ 23,153,069</u>	<u>\$ -22,080,696</u>	<u>\$ 1,072,373</u>

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O. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does utilize encumbrance accounting. The assignment of fund balance at June 30, 2013 was \$0 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Q. Unclassified and program expenditures

The Town uses a departmental expenditure category labeled unclassified and program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories of the Town. The general fund classifies Town wide fringe benefits into this departmental expenditure category. In addition, the expenditures of the Town's housing rehabilitation program and revolving loan fund are grouped into this departmental expenditure category as well as other miscellaneous programs that do not fall into any of the traditional departmental expenditure categories of the Town.

R. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for five individual town projects. Construction at the elementary and middle schools were financed by State construction revenues and through Town appropriations and bonding. The fire safety complex and senior center were financed through annual appropriations and bonding for the fire safety complex. The Amston Lake sewer construction project is being financed through initial appropriations from the town unassigned general fund balance which will be repaid by the fund and also through bonding. Financial information for these projects can be found on Sub-Schedule A on page 63.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget and through other miscellaneous grants and revenues. Financial information for the individual projects within this fund can be found on Sub-Schedule B on pages 64 and 65.
- f. Trumbull investments fund - This fund is used to account for three sets of investments donated to the town by Hugh Trumbull Adams with the interest and dividend revenue generated by these investments to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house. Financial information for these investments can be found on Sub-Schedule C on page 66.

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S. Fund balance classification policies and procedures - fund financial statements only

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable funds balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures, when applicable.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and locip surcharge assessment fees. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the balance of the housing rehabilitation income fund which relates to housing rehabilitation grants received by the Town, the non-principal portion of permanent funds, the student activity related accounts located at the elementary, middle and high school of the Town which are restricted for educational purposes and the remaining balance within the school lunch program which is restricted to be used within the school lunch program based on the grant revenue received as well as State statutes.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue fund or the capital nonrecurring fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.
- d. **Assigned fund balance** - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations or the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts in accordance with the direction received from the Board of Finance. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance would also be reported as assigned fund balance amounts of the general fund at the end of the current fiscal year.
- e. **Unassigned fund balance** - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
Fund balances:						
Nonspendable:						
Prepaid items	\$ 96,021	\$ -	\$ -	\$ -	\$ -	\$ 96,021
Non-USDA inventory	-	-	-	-	9,250	9,250
Permanent funds principal	-	-	-	-	322,272	322,272
Restricted:						
Town grants	-	-	-	-	79,608	79,608
Educational grants	-	-	-	-	32,614	32,614
Educational programs	-	-	-	-	64,658	64,658
Educational activity accounts	-	-	-	-	82,876	82,876
Trumbull donations funds	-	-	-	2,249,585	490,360	2,739,945
Other town donation funds	-	-	-	-	51,977	51,977
Housing rehab income fund	-	-	-	-	682,688	682,688
Enabling legislation funds	-	-	-	-	54,462	54,462
Permanent funds non-principal	-	-	-	-	4,237	4,237
Committed:						
Town construction projects	-	203,661	-	-	-	203,661
Capital nonrecurring balances	-	-	157,829	-	-	157,829
Lebanon public library	-	-	-	-	49,746	49,746
Lebanon recreation commission	-	-	-	-	42,684	42,684
Jonathan Trumbull Jr. house	-	-	-	-	39,754	39,754
Adams community center	-	-	-	-	32,287	32,287
Town improvement program	-	-	-	-	63,788	63,788
Senior vans program	-	-	-	-	130,248	130,248
Lake Williams project	-	-	-	-	58,891	58,891
Assigned:						
Dog fund	-	-	-	-	4,431	4,431
Fema storm grant funds	-	-	-	-	90,371	90,371
Summer dance festival	-	-	-	-	13,618	13,618
Cemetery lot funds	-	-	-	-	5,274	5,274
Historic building funds	-	-	-	-	10,153	10,153
Unassigned:						
General fund	3,789,965	-	-	-	-	3,789,965
Town construction projects	-	-792,219	-	-	-	-792,219
Town grants	-	-	-	-	-73,557	-73,557
Educational grants	-	-	-	-	-37,567	-37,567
Total fund balances	<u>\$ 3,885,986</u>	<u>\$ -588,558</u>	<u>\$ 157,829</u>	<u>\$ 2,249,585</u>	<u>\$ 2,305,123</u>	<u>\$ 8,009,965</u>

T. Interest expense

The total interest expense incurred by the Town during the current fiscal year totaled \$199,028 and related to the long-term bonds, notes, capital leases and bond anticipation notes payable outstanding. The entire amount of interest expense incurred was charged to expense. Interest expense of \$132,098 was shown as a general fund line item, \$1,317 was part of the general fund education line item, \$60,150 was shown in the town construction project fund and \$5,463 was shown in the capital non-recurring fund as part of the fund financial statements of the Town.

Town of Lebanon, Connecticut
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Note 2 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net position. The other asset restricted investment amount of \$2,575,142 is made up of the balance of the investments which have been donated to the Town and whose interest and earnings are used to partially fund the operations of the Town's library, community center, and the Jonathan Trumbull Jr. house. This investments balance of \$2,249,585 can also be seen on the fund financial statements balance sheet as the major fund labeled the Trumbull investments fund. In addition, the permanent funds include investments in the amount of \$325,557. These investments are also shown as restricted. The other assets restricted cash balance is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net position can be broken down as follows.

Community development grants and programs	\$ 4,508
State, federal, and other grant program balances deferred	112,839
Principal balance of non-major permanent funds	7,564
Restricted donation funds	542,337
Enabling legislation program funds	54,462
Educational activity accounts and program funds	139,263
	<u>\$ 860,973</u>

Note 3 - Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$7,409,444 which is shown in the financial statements as cash balances of \$1,856,837 and investment balances of \$5,552,607 which represent money market accounts, certificates of deposit and other higher yielding accounts. The corresponding bank balances of these accounts at various financial institutions totaled \$8,079,729 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, \$1,208,210 was covered by FDIC with the remaining \$6,871,519 representing balances that were uninsured and collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The Lebanon Volunteer Fire Department is reported within the government-wide financial statements of the Town as a discretely presented component unit. The Department does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. At year end, the carrying amount of the Department's deposits was \$610,913 which is shown in the financial statements as cash balances of \$121,349 and investment balances of \$489,564 which represent money market accounts, certificates of deposit and other higher yielding accounts. The corresponding bank balances of these accounts at various financial institutions totaled \$613,953 with the difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. Of these bank balances, \$250,000 was covered by FDIC with the remaining \$363,953 representing balances that were uninsured and collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Department's name in accordance with applicable state statutes as described above.

Town of Lebanon, Connecticut
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Investments

The following schedule shows the different types of investments held by the Town, the maturities of those investments and the associated credit ratings as of June 30, 2013.

Type	Fair value	Maturities in years			Credit ratings	
		Less than 1 year	1 - 5 years	6 - 10 years	Moody's	S & P
Governmental funds:						
CT short term investment fund	\$ 24,955	\$ 24,955	\$ -	\$ -	not rated	AAAm
Preferred stocks	9,753	9,753	-	-	not rated	BBB+
Exchange traded funds	224,749	224,749	-	-	not rated	not rated
Money market and certificates	5,454,596	5,141,079	313,517	-	not rated	not rated
Mutual funds fixed income	65,771	65,771	-	-	not rated	not rated
Money market ready asset funds	8,050	8,050	-	-	not rated	not rated
U.S. Treasury notes	11,326	-	11,326	-	Aaa	AAA
Corporate bonds	9,084	-	-	9,084	Baa2	A-
Corporate bonds	19,822	-	-	19,822	Baa1	A-
	5,828,106	<u>\$ 5,474,357</u>	<u>\$ 324,843</u>	<u>\$ 28,906</u>		
Stock equities	1,879,835					
Mutual fund equities	<u>33,234</u>					
	<u>\$ 7,741,175</u>					
Fiduciary funds:						
Money market and certificates	<u>\$ 98,011</u>	<u>\$ 98,011</u>	<u>\$ -</u>	<u>\$ -</u>	not rated	not rated
Discretely presented component unit:						
Lebanon volunteer fire department						
Money market and certificates	<u>\$ 489,564</u>	<u>\$ 489,564</u>	<u>\$ -</u>	<u>\$ -</u>	not rated	not rated

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept investments other than those authorized by the State in situations where they have been donated to the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2013

Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only

Inter fund receivables and payables - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not always expected to be repaid due to the fact that they normally represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivables and payables by individual major fund and non-major funds in the aggregate. Only the balances for major funds are being shown below as is required. The following fund financial statement inter fund balances are eliminated in the government-wide financial statements with the exception of the proprietary fund balances. Proprietary funds report the business-type activities of the Town and therefore these inter fund balances are shown as internal balances on the Statement of net position.

	Receivable due from	Payable due to
General fund:		
Town construction projects	\$ 598,037	\$ 203,661
Capital and non-recurring fund	-	148,274
Non-major special revenue funds	244,887	1,175,545
Non-major capital project funds	68,097	59,861
Non-major permanent funds	6,598	1,937
Proprietary funds	150	94,876
	<u>\$ 917,769</u>	<u>\$ 1,684,154</u>

Inter fund transfers - Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major funds in the aggregate. The \$100,000 transfer from the general fund to the proprietary funds represents a current fiscal year loan from the unassigned general fund balance to the operating fund of the Amston Lake Water Pollution Control Authority. This loan was made with the intent that it would be paid back to the general fund when operating funds collected through the billing of user fees bring the cash balance to an acceptable amount in order to sustain the operations of the fund. The amounts shown below for general fund transfers out represent balances recorded in accordance with GAAP and shown on Statement E. Budgeted transfers in the amount of \$421,114 have been shown on Statement D as property tax revenue within the non-major governmental funds column due to the fact that the basis for special revenue funds need to be specific revenue sources of which the Town considers these amounts. The following fund financial statement inter fund transfers are eliminated in the government-wide financial statements with the exception of the proprietary fund transfers. Proprietary funds report the business-type activities of the Town and therefore these inter fund transfers are shown as transfers on the Statement of net position.

	Transfers in	Transfers out
General fund:		
Capital and non-recurring fund	\$ -	\$ -807,130
Non-major special revenue funds	-	-421,114
Non-major permanent funds	262	-
Proprietary funds	-	-100,000
	<u>\$ 262</u>	<u>\$ -1,328,244</u>
Capital and non-recurring fund:		
General fund	<u>\$ 807,130</u>	<u>\$ -</u>
Trumbull investments fund:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -58,779</u>
Proprietary funds:		
WPCA operating fund	<u>\$ 100,000</u>	<u>\$ -</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
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Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2013. Information about the specific accounting policies of the Town in relation to capital assets can be found in item L of note 1 on page 30 of the notes to the financial statements.

Governmental activities:	Balance 07/01/12	Additions	Retirements	Balance 06/30/13
Capital assets not being depreciated:				
Land and improvements	\$ 2,121,289	\$ -	\$ -	\$ 2,121,289
Construction in progress	3,247,516	2,890,587	-	6,138,103
Total at historical value	5,368,805	2,890,587	-	8,259,392
Capital assets being depreciated:				
Buildings and improvements	35,784,311	35,369	-	35,819,680
Vehicles	3,724,563	452,466	-	4,177,029
Equipment	868,738	11,845	-	880,583
Infrastructure	26,636,485	841,349	-	27,477,834
Total at historical value	67,014,097	1,341,029	-	68,355,126
Less accumulated depreciation for:				
Building and improvements	-12,189,835	-	-867,288	-13,057,123
Vehicles	-2,301,599	-	-188,521	-2,490,120
Equipment	-649,314	-	-67,070	-716,384
Infrastructure	-17,924,341	-	-474,725	-18,399,066
Total accumulated depreciation	-33,065,089	-	-1,597,604	-34,662,693
Total capital assets being depreciated (net)	33,949,008	1,341,029	-1,597,604	33,692,433
Governmental activities capital assets (net)	<u>\$ 39,317,813</u>	<u>\$ 4,231,616</u>	<u>\$ -1,597,604</u>	<u>\$ 41,951,825</u>

Depreciation expense by function or department:

General government	\$ 6,292
Public safety	137,450
Public works	95,599
Health & social	70,074
Education	812,004
Unclassified	1,460
General infrastructure depreciation	474,725
	<u>\$ 1,597,604</u>

Component unit:	Balance 07/01/12	Additions	Retirements	Balance 06/30/13
Capital assets being depreciated:				
Buildings and improvements	\$ 164,921	\$ -	\$ -	\$ 164,921
Vehicles and equipment	157,681	-	-	157,681
	322,602	-	-	322,602
Less accumulated depreciation for:				
Buildings and improvements	-41,020	-	-9,318	-50,338
Vehicles and equipment	-96,551	-	-15,327	-111,878
	-137,571	-	-24,645	-162,216
Total component unit capital assets (net)	<u>\$ 185,031</u>	<u>\$ -</u>	<u>\$ -24,645</u>	<u>\$ 160,386</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
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Note 6 - Long-term debt liabilities - government-wide financial statements only

Governmental activities:	Balance 07/1/12	Additions	Reductions	Balance 06/30/13	Amount due within one year
Outstanding payables:					
\$5,750,000 bond payable	\$ 3,440,000	\$ -	\$ -385,000	\$ 3,055,000	\$ 385,000
\$5,105,000 bond payable	-	5,105,000	-	5,105,000	75,759
\$486,650 note payable	187,418	-	-29,847	157,571	31,374
\$62,480 capital lease payable	33,117	-	-12,771	20,346	13,400
\$167,446 capital lease payable	-	167,446	-36,282	131,164	52,985
Total outstanding payables	<u>3,660,535</u>	<u>5,272,446</u>	<u>-463,900</u>	<u>8,469,081</u>	<u>558,518</u>
Other liabilities:					
Accrued comp. absences - school	66,321	-	-45,523	20,798	
Accrued comp. absences - town	28,311	5,003	-	33,314	
Accrued landfill post-closure costs	89,131	-	-11,500	77,631	
Total other liabilities	<u>183,763</u>	<u>5,003</u>	<u>-57,023</u>	<u>131,743</u>	
Total long-term liabilities	<u>\$ 3,844,298</u>	<u>\$ 5,277,449</u>	<u>\$ -520,923</u>	<u>\$ 8,600,824</u>	<u>\$ 558,518</u>

The following sections outline the terms, conditions, and ending balance of the outstanding bonds payable, notes payable, capital leases and accrued compensated balances of the Town as of June 30, 2013:

A. Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest on the outstanding principal balance is at a rate of 3.80%.

\$ 3,055,000

\$5,105,000 bond payable issued in January of 2013 to finance the Amston Lake sewer construction project. This bond payable is currently being shown as a governmental activity. Once this construction project has been completed, the remaining assets and liabilities relating to the construction project will be transferred to the enterprise fund. Annual principal installments under this agreement are due starting on January 17, 2014 through January 17, 2052 in the amount of \$203,384. The final principal installment is due on January 17, 2053 in the amount of \$202,034. Interest on the outstanding principal balance is at a rate of 2.50%.

5,105,000

\$486,650 note payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 through February of 2018 which includes interest at 5.00%.

157,571
\$ 8,317,571

B. Capital leases payable

The Town has a capital lease related to a lease purchase agreement for photocopiers through the Board of Education. This lease purchase agreement runs from January of 2010 through December of 2014 with monthly payments of \$1,174. The gross amount of the photocopiers recorded as an equipment type capital asset is \$62,480. These items are being amortized over a 7 year period and the accumulated amortization (depreciation) taken as of June 30, 2013 was \$31,241. The annual payments on this lease for the next two fiscal years is equal to approximately \$14,088 and \$7,044. The amount of these payments representing interest is equal to approximately \$786 leaving the net present value of future minimum lease payments equaling \$20,346.

Town of Lebanon, Connecticut
Notes to the basic financial statements
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B. Capital leases payable (continued)

The Town has a capital lease related to a lease purchase agreement for a wheel loader and two plow trucks through the Town. This lease purchase agreement runs from November of 2012 through January of 2014 with monthly payments of \$4,638. The gross amount of the wheel loader and two plow trucks recorded as a vehicle type capital asset is \$167,446. These items are being amortized over a 10 year period and the accumulated amortization (depreciation) taken as of June 30, 2013 was \$3,868. The annual payments on this lease for the next three fiscal years is equal to approximately \$55,656, \$55,656 and \$24,006. The amount of these payments representing interest is equal to approximately \$4,154 leaving the net present value of future minimum lease payments equaling \$131,164.

The following is a summary of the total outstanding bond and notes payable principal and interest cash flow requirements for the aforementioned bonds and notes payable of the Town for the fiscal years ending June 30,:

	Principal	Interest	Total
2014	\$ 492,133	\$ 243,566	\$ 735,699
2015	495,632	225,437	721,069
2016	499,260	207,179	706,439
2017	498,024	188,880	686,904
2018	485,736	170,668	656,404
2019 - 2023	1,590,543	631,357	2,221,900
2024 - 2028	509,748	507,172	1,016,920
2029 - 2033	576,732	440,188	1,016,920
2034 - 2038	652,521	364,399	1,016,920
2039 - 2043	738,266	278,654	1,016,920
2044 - 2048	835,281	181,639	1,016,920
2049 - 2053	943,695	71,875	1,015,570
	<u>\$ 8,317,571</u>	<u>\$ 3,511,014</u>	<u>\$ 11,828,585</u>

C. Accrued compensated absences

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2013, school accumulated sick balances totaled approximately \$306,010. A current portion of these recorded liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

D. Accrued landfill post-closure costs

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2013 the amount outstanding for post-closure monitoring was \$77,631 which is shown as a long-term liability on the government-wide statement of net position. A current portion of this liability has not been estimated due to the fact that the price of the upcoming fiscal year monitoring, year end report and other possibly unforeseen costs is unknown.

Town of Lebanon, Connecticut
Notes to the basic financial statements
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Note 7 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual major and non-major funds had deficit fund balances as of June 30, 2013. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The LES building project was jointly funded by the State and the Town. The current deficit in this fund represents the Town's estimated portion to date which will be appropriated in an upcoming fiscal years less any additional amounts received from the State. The project was submitted to the State as being complete in December of 2011 and was subsequently audited and reviewed by the State which should be completed within one year from the date of submission. The majority of the remaining deficits represent state, federal and other award program balances which resulted from funds being expended either before they can or have been billed for.

Major funds:		Non-major funds:	
Town construction projects		Special revenue funds	
LES building project	\$ -585,232	Survey and planning grant	\$ -6,301
Senior center construction project	-1,894	School vo-ag equipment grant	-27,749
Amston lake sewer construction	-205,093	School educational grants	-9,818
	<u>\$ -792,219</u>	Capital project funds	
		Town bridge projects	-32,979
		Tyler field project grant	-34,277
			<u>\$ -111,124</u>

Note 8 - Net position balances - net investment in capital assets

The net investment in capital assets net position balance on the government-wide statement of net position consisted of the following items as of June 30, 2013.

	Governmental activities	Component unit
Recorded value of capital assets	\$ 76,614,518	\$ 322,602
Less accumulated depreciation	-34,662,693	-162,216
Book value of capital assets	41,951,825	160,386
Less capital assets related debt	-8,469,081	-
Total invested in capital assets, net of related debt	<u>\$ 33,482,744</u>	<u>\$ 160,386</u>

Note 9 - Net position and fund balances - restricted

The Town has received a number of housing rehabilitation CDBG grants from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described as follows. Each resident receiving benefits under these grants is required to sign a deferred partially forgivable promissory note. These notes must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into the aforementioned loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This annual forgiven portion is shown as a bad debt item and reduces the restricted net position balance in the government-wide financial statements and the restricted fund balance in the fund financial statements. As of June 30, 2013, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 4,508
Due from other funds	-
Notes receivable (net of allowance)	678,180
Restricted net position and restricted fund balance	-682,688
	<u>\$ -</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
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Note 10 - Employees' retirement plans

Municipal Employees' Retirement System - Fund B

A. Plan description

The Connecticut Municipal Employees' Retirement System (CMERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Plan provisions are set by statute of the State of Connecticut. CMERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Connecticut Municipal Employees' Retirement System, 55 Elm Street - Third Floor, Office of the State Comptroller, Hartford, Connecticut 06106.

B. Funding policy

Employees covered by social security are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is withheld plus 5% of earnings on which no social security tax is withheld. Employees not covered by social security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service and to finance the remaining costs of the plan. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by social security versus those not covered by social security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ended June 30, 2013 for the Town are as follows.

	Police and fire employees	General employees
With social security	13.75%	9.50%
Without social security	13.50%	9.50%

C. Contributions required and contributions made

The Town's total actual contributions for town hall and library covered employees for the years ended June 30, 2013, 2012, and 2011 were \$74,554, \$72,720, and \$53,857, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

Town hall and library employees:	2013	2012	2011
Contributions	\$ 62,770	\$ 61,581	\$ 42,818
Fees	2,645	2,000	1,900
Amortization	9,139	9,139	9,139
	<u>\$ 74,554</u>	<u>\$ 72,720</u>	<u>\$ 53,857</u>

The Town's total actual contributions for highway department covered employees for the years ended June 30, 2013, 2012, and 2011 were \$62,106, \$58,473, and \$49,774, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

Highway department employees:	2013	2012	2011
Contributions	\$ 56,229	\$ 52,761	\$ 44,062
Fees	1,265	1,100	1,100
Amortization	4,612	4,612	4,612
	<u>\$ 62,106</u>	<u>\$ 58,473</u>	<u>\$ 49,774</u>

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D. Teachers

The Lebanon Board of Education participates in the Connecticut State Teacher's Retirement System which is administered by the Teachers' Retirement Board. The provisions of the Teachers' Retirement System are contained in Chapter 167a of the Connecticut General Statutes to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. Covered employees of the plan include any teacher, principal, superintendent or supervisor engaged in service of public schools, plus professional employees at State schools of higher education if they choose to be covered. The benefits of the program are funded by employee contributions, state appropriations and investment income. The Lebanon Board of Education does not contribute to the plan. Employees covered by the plan are required to contribute 7.25% of their annual earnings into the plan. Of this required employee contribution rate, 6.00% applies to each covered employees pension benefit account with the remaining 1.25% being applied to the health insurance fund. The State's required contribution percentage is determined in accordance with 10-183z which reflects public act 79-436 as amended. The required contribution percentages to the plan are made up of a percentage for the normal cost of the plan and a percentage for the unfunded accrued liability of the plan. An actuarial valuation of the plan is performed on a bi-annual basis with the most recent valuation being performed as of June 30, 2012. Based on that actuarial valuation, the contribution percentage for the normal cost of the plan was 9.73% and the contribution percentage for the accrued liability cost of the plan was 20.40% for a total required contribution percentage of 30.13%. The covered employees required contribution percentage was 6.00% leaving the required contribution percentage of the State as 24.13%. Additional information on the plan can be obtained from the Teachers' Retirement Board, 765 Asylum Avenue, Hartford, Connecticut 06105.

Note 11 - Other Post Employment Benefits - OPEB

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2007 which would be the Town's fiscal year ended June 30, 2009. The objective of Statement No. 43 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). OPEB plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education provides a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy. Retired town hall employees are not provided this benefit.

Plan description

The Board of Education of the Town maintains a single employer defined benefit OPEB Plan. The Plan provides a benefit for retired teachers and administrators in the form of the ability to maintain health insurance coverage through the Plan available to active teachers and administrators of the Board of Education. Non-certified Board employees are eligible to participate in the Plan upon reaching age 55 with at least 5 years of service or upon 25 years of service. Cafeteria workers are not eligible to participate in the plan. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. Certified Board employees are eligible to participate in the Plan upon reaching age 50 with at least 25 years of service, age 55 with at least 20 years of service or age 60 with at least 10 years of service. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan

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therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree once they are a part of the Plan. In addition, benefits for a retiree's spouse will also continue for the life of the spouse once they are a part of the Plan. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The Plan does not issue stand-alone financial statements.

Funding policy and annual OPEB cost

The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to this Plan but rather contributes in the form of an implicit rate subsidy. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of State Retirement Board. The current amount contributed by the State for each retiree is \$110 per month for a single coverage plan and \$220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes.

GASB Statement No. 45 does not mandate that a post-employment benefit liability be pre-funded by an organization it simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education of the Town currently plans to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), which is an actuarial determined amount, represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table represents the OPEB costs for the Town in relation to the Board of Education OPEB plan for the current fiscal year and the annual required contribution.

Normal cost	\$ 105,400
Amortization of unfunded actuarial accrued liability	212,100
Interest	6,400
Annual required contribution (ARC)	<u>\$ 323,900</u>

Funding status

The Town's annual OPEB cost and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education of the Town for the fiscal year ending June 30, 2013 are as follows.

Annual required contribution (ARC)	\$ 323,900
Interest on beginning NOO (B) at 4.00%	48,000
Adjustment to ARC beginning NOO (B) divided by 17.98	<u>-66,700</u>
Annual OPEB Cost	305,200
Amount contributed	<u>-99,600</u>
 Increase in Net OPEB Obligation	 205,600
 Net OPEB Obligation as of June 30, 2012 (B)	 <u>1,199,900</u>
 Net OPEB Obligation as of June 30, 2013	 <u>\$ 1,405,500</u>

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Actuarial methods and assumptions

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education of the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

Actuarial valuation date	07/01/12
Actuarial cost method	Projected unit credit
Amortization method	30 years, level dollar, open
Asset valuation method	None
Actuarial assumptions	
Interest	4.00%
Projected salary increases	N/A
Healthcare inflation rate	9.00% for 2012, decreasing .50% per year, to an ultimate rate of 5.00% for 2020 and later

Schedule of funding progress

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (a - b)	Funded ratio (a / b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
07/01/08	\$ -	\$ 4,998,000	\$ 4,998,000	0.00%	\$ 9,850,000	50.70%
07/01/10	\$ -	\$ 5,448,000	\$ 5,448,000	0.00%	\$ 10,213,000	53.30%
07/01/12	\$ -	\$ 3,815,000	\$ 3,815,000	0.00%	\$ 9,120,600	41.80%

Schedule of employer contributions

The following schedule shows the Board of Education's annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

Fiscal year ending	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/11	\$ 462,000	\$ 199,600	38.10%	\$ 852,900
06/30/12	\$ 468,000	\$ 107,700	38.10%	\$ 1,199,900
06/30/13	\$ 323,900	\$ 99,600	30.80%	\$ 1,405,500

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Note 12 - Commitments and contingencies - Operating leases

The Town and more specifically the Board of Education of the Town lease a number of photocopiers under two lease agreements which are classified as operating leases. For these leases to be classified as capital leases they must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria are not met. For criteria three and four, the estimate is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The first lease agreement is for a period of five years through December of 2013. The monthly payment for this lease agreement is \$4,015 which equals annual payments of \$48,180. The second lease agreement is for a period of five years through June of 2018. The monthly payment under this lease agreement is \$2,219 which equals annual payments of \$26,628. The Town and the school department have a number of other operating type lease agreements which are not material in nature and therefore have not been included here.

Note 13 - Risk management, commitments and contingencies - Other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years. A lawsuit by two former employees was filed in the United States District Court for the District of Connecticut against the Board of Education as well as a current member of the management of the Board. These lawsuits related to the terms under which both former employees left the employment of the Board and claimed that their employment was ended because of their age, alleged disability and gender. These two matters were settled subsequent to the end of the current fiscal year and the relating lawsuits were withdrawn. In addition, another lawsuit has been brought against the Town relating to the conditions of termination for an employee who left the employment of the Town. The Town is vigorously defending this matter. A conclusion cannot be determined at this time as to the likelihood of an unfavorable outcome and in turn a range of any possible losses relating to this matter can also not be determined at this time.

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education entered into a three year contract for a working facilities manager through June 30, 2014 at annual costs of \$145,200, \$148,104 and \$149,988, respectively. The Board of Education entered into a bus transportation agreement for the purpose of providing transportation services for the school children of the Town of Lebanon in compliance with local policies and legal requirements. This agreement includes both type I and type II buses as outlined in the agreement and runs from July 1, 2013 through June 30, 2018. Payment terms are based on specific daily and hourly rates for regular route hours and trips and non-route hours and trips, however, the base annual contract amounts included in the agreement are \$733,658, \$757,418, \$777,557, \$797,990 and \$820,159, respectively. The Town has entered into a two year mowing and trimming contract through June 30, 2014 for its recreational fields for a total amount of \$13,800 plus additional costs for additional services. The Town has entered into a two year cemetery maintenance contract through December 31, 2014 at an annual rate of \$12,800. The Town has entered into a snow removal contract through April 15, 2014 at a rate of \$51,495 to be paid in five equal installments. The Town has entered into a two year lawn care maintenance agreement through December 31, 2014 at an annual rate of \$24,000. The Town and Board of Education also have a number of different construction and other contracts for various projects at various stages of completion. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and other agreements can be found at the administrative offices of both the Town and the Board of Education.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2013 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable.

Town of Lebanon, Connecticut
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Note 14 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2013. The pension contributions made by the State are determined on an actuarial reserve basis in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2013, the Lebanon Board of Education's total covered payroll was approximately \$7,734,607 and the applicable on-behalf payment percentage for the period was 20.97%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$1,621,947 and an education expenditure of \$1,621,947 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the fiscal year. An operating grants and contributions revenue in the amount of \$1,621,947 and an expense in the governmental activities section under a separate education function line item of \$1,621,947 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the fiscal year. The above State funding percentage of 20.97% compares to 20.54% during the prior fiscal year. The above State on-behalf payment of \$1,621,947 compares to \$1,680,491 during the prior fiscal year.

Note 15 - New accounting pronouncements

The Town implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current fiscal year. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Certain transactions that require the use of deferred outflows of resources or deferred inflows of resources have already been addressed in GASB pronouncements. For example, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, provides for the reporting of deferred outflows of resources and deferred inflows of resources for the changes in fair value of qualified hedging derivatives. Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, also includes a requirement to report deferred inflows of resources in specific cases for consideration received in a service concession arrangement. The Town did not have any transactions or balances meeting the definition of deferred outflow of resources or deferred inflow of resources as described in Statement No. 53 or Statement No. 60 and therefore the implementation of the Statement had no material effect on the presentation of the current fiscal year financial statements.

Note 16 - Reclassification and restatement

The non-major special revenue funds of the Town include a number of different grants, programs and activities. The Town accounts for its library operations in a special revenue fund and it accounts for donations received in trust from Hugh Trumbull Adams in a special revenue fund. The library received a donation in trust from Hugh Trumbull Adams during the fiscal year ended June 30, 2012. The amount of the donation remaining as of June 30, 2012 was \$40,439 and it was included in the ending fund balance of the library operations special revenue fund. It was determined that the aforementioned donation would have been more accurately accounted for within the Hugh Trumbull Adams special revenue fund considering this fund was originally set up in order to receive and expend these types of donations. Therefore, the remaining balance of \$40,439 as of June 30, 2012 was moved from the library operations special revenue fund to the Hugh Trumbull Adams donations special revenue fund affecting each individual funds beginning fund balance amounts as of July 1, 2012 which are shown in Schedule B of the financial statements. This reclassification had no effect on the prior fiscal year ending balance or the current fiscal year beginning balance for the non-major special revenue funds as a whole.

Town of Lebanon, Connecticut
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In addition, the internal service fund of the Town is accounted for as a proprietary fund which is used to account for the self funding dental activities of the Town. The internal service fund is classified as part of the governmental activities within the government-wide financial statements of the Town. Therefore, the balances of the fund would be included in both the Statement of net position and the Statement of activities. The internal service fund was not included in these statements as of June 30, 2012. Therefore, the balances as shown in the management discussion and analysis section of these financial statements for 2012 have been restated to include these ending internal service fund balances. The net result of these restatements were an increase in cash in the amount of \$14,984, an increase in current and other liabilities in the amount of \$7,015, an increase in the unrestricted net position balance in the amount of \$7,969 and a corresponding decrease in the general government expenses in the amount of \$755 and the education expenses in the amount of \$7,214.

Note 17 - Subsequent events

The Town has evaluated subsequent events through January 7, 2014, the date to which the financial statements were available to be issued. The Town entered into a capital lease purchase agreement as dated July 1, 2013 to purchase a 2013 John Deere 5101E 4WD Tractor with a Tiger "Bengal" mid-mount boom mower. The lease purchase agreement calls for 39 monthly payments of \$2,565 for a total amount of \$100,035 with the principal portion of these payments equaling \$94,491 and the interest portion equaling \$5,544. The Town also entered into capital lease purchase agreement as dated July 1, 2013 to purchase a 2013 FDIC Rescue Truck. The lease purchase agreement calls for 6 annual payments of \$52,629 for a total amount of \$315,774 with the principal portion of these payments equaling \$294,000 and the interest portion equaling \$21,774.

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2013

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
Assets				
Cash	\$ 447,289	\$ -	\$ 7,564	\$ 454,853
Investments	-	-	325,557	325,557
Accounts and other receivables	750,277	1,287	-	751,564
Inventories and prepaid items	15,369	-	-	15,369
Due from other funds	1,177,496	59,861	1,937	1,239,294
Total assets	<u>2,390,431</u>	<u>61,148</u>	<u>335,058</u>	<u>2,786,637</u>
Liabilities				
Accounts payable	115,742	-	-	115,742
Other liabilities	42,952	1,287	-	44,239
Due to other funds	244,887	68,097	8,549	321,533
Total liabilities	<u>403,581</u>	<u>69,384</u>	<u>8,549</u>	<u>481,514</u>
Fund balance				
Nonspendable	9,250	-	322,272	331,522
Restricted	1,539,114	129	4,237	1,543,480
Committed	358,507	58,891	-	417,398
Assigned	123,847	-	-	123,847
Unassigned	-43,868	-67,256	-	-111,124
Total fund balance	<u>1,986,850</u>	<u>-8,236</u>	<u>326,509</u>	<u>2,305,123</u>
Total liabilities and fund balance	<u>\$ 2,390,431</u>	<u>\$ 61,148</u>	<u>\$ 335,058</u>	<u>\$ 2,786,637</u>
Revenues				
Property tax revenues	\$ 421,114	\$ 4,807	\$ -	\$ 425,921
Intergovernmental revenues	1,292,977	221	-	1,293,198
Interest and dividends	296	-	8,188	8,484
Charges for services	302,820	-	-	302,820
Miscellaneous	559,185	-	-	559,185
Total revenues	<u>2,576,392</u>	<u>5,028</u>	<u>8,188</u>	<u>2,589,608</u>
Expenditures				
Salary and wages	830,452	-	-	830,452
Program operating costs	1,451,796	9,749	5,140	1,466,685
Capital expenditures	-	-	-	-
Total expenditures	<u>2,282,248</u>	<u>9,749</u>	<u>5,140</u>	<u>2,297,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>294,144</u>	<u>-4,721</u>	<u>3,048</u>	<u>292,471</u>
Other financing sources (uses)				
Transfers in	59,079	-	-	59,079
Transfers out	-	-	-562	-562
Total other financing sources (uses)	<u>59,079</u>	<u>-</u>	<u>-562</u>	<u>58,517</u>
Net change in fund balance	353,223	-4,721	2,486	350,988
Fund balance - July 1	<u>1,633,627</u>	<u>-3,515</u>	<u>324,023</u>	<u>1,954,135</u>
Fund balance - June 30	<u>\$ 1,986,850</u>	<u>\$ -8,236</u>	<u>\$ 326,509</u>	<u>\$ 2,305,123</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
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As of and for the year ended June 30, 2013

	Lebanon public library	Krause library donations	Lebanon recreation commission	Jonathan Trumbull Jr. house	Adams community center
Assets					
Cash	\$ -	\$ -	\$ 7,744	\$ 39,505	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	61,598	10,000	46,698	1,901	37,340
Total assets	61,598	10,000	54,442	41,406	37,340
Liabilities					
Accounts payable	5,776	-	9,199	272	5,053
Other liabilities	6,076	-	2,559	1,380	-
Due to other funds	-	-	-	-	-
Total liabilities	11,852	-	11,758	1,652	5,053
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	10,000	-	-	-
Committed	49,746	-	42,684	39,754	32,287
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	49,746	10,000	42,684	39,754	32,287
Total liabilities and fund balance	\$ 61,598	\$ 10,000	\$ 54,442	\$ 41,406	\$ 37,340
Revenues					
Property tax revenues	\$ 238,431	\$ -	\$ 32,565	\$ -	\$ 100
Intergovernmental revenues	5,160	-	-	-	-
Interest and dividends	-	-	-	115	-
Charges for services	-	-	55,228	-	1,850
Miscellaneous	11,464	10,000	6,000	264	-
Total revenues	255,055	10,000	93,793	379	1,950
Expenditures					
Salary and wages	156,366	-	31,816	6,087	-
Program operating costs	114,256	-	66,213	8,120	22,781
Capital expenditures	-	-	-	-	-
Total expenditures	270,622	-	98,029	14,207	22,781
Excess (deficiency) of revenues over (under) expenditures	-15,567	10,000	-4,236	-13,828	-20,831
Other financing sources (uses)					
Transfers in	26,330	-	-	12,585	20,164
Transfers out	-	-	-	-	-
Total other financing sources (uses)	26,330	-	-	12,585	20,164
Net change in fund balance	10,763	10,000	-4,236	-1,243	-667
Fund balance - July 1	38,983	-	46,920	40,997	32,954
Fund balance - June 30	\$ 49,746	\$ 10,000	\$ 42,684	\$ 39,754	\$ 32,287

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	Town improvement program	Senior vans program	Lebanon dog fund	Trumbull donations fund	School lunch program
Assets					
Cash	\$ -	\$ 410	\$ -	\$ -	\$ 56,387
Investments	-	-	-	-	-
Accounts and other receivables	-	6,112	956	-	25,502
Inventories and prepaid items	-	-	-	-	15,369
Due from other funds	76,809	128,041	3,720	549,610	3,743
Total assets	76,809	134,563	4,676	549,610	101,001
Liabilities					
Accounts payable	13,021	1,752	245	59,250	-
Other liabilities	-	2,563	-	-	6,119
Due to other funds	-	-	-	-	20,974
Total liabilities	13,021	4,315	245	59,250	27,093
Fund balance					
Nonspendable	-	-	-	-	9,250
Restricted	-	-	-	490,360	64,658
Committed	63,788	130,248	-	-	-
Assigned	-	-	4,431	-	-
Unassigned	-	-	-	-	-
Total fund balance	63,788	130,248	4,431	490,360	73,908
Total liabilities and fund balance	\$ 76,809	\$ 134,563	\$ 4,676	\$ 549,610	\$ 101,001
Revenues					
Property tax revenues	\$ 65,000	\$ 63,000	\$ 13,834	\$ -	\$ -
Intergovernmental revenues	-	24,448	-	-	138,456
Interest and dividends	-	-	-	-	39
Charges for services	-	4,607	2,871	-	223,405
Miscellaneous	230	-	9,726	298,780	6,831
Total revenues	65,230	92,055	26,431	298,780	368,731
Expenditures					
Salary and wages	-	40,480	-	-	218,715
Program operating costs	53,219	27,279	29,437	91,782	154,246
Capital expenditures	-	-	-	-	-
Total expenditures	53,219	67,759	29,437	91,782	372,961
Excess (deficiency) of revenues over (under) expenditures	12,011	24,296	-3,006	206,998	-4,230
Other financing sources (uses)					
Transfers in	-	-	4,800	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	4,800	-	-
Net change in fund balance	12,011	24,296	1,794	206,998	-4,230
Fund balance - July 1	51,777	105,952	2,637	283,362	78,138
Fund balance - June 30	\$ 63,788	\$ 130,248	\$ 4,431	\$ 490,360	\$ 73,908

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	Historic document preservation	Locip surcharge assessment	Housing rehab income	Housing rehab grant	Survey planning grant
Assets					
Cash	\$ -	\$ -	\$ 4,508	\$ -	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	-	-	678,180	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	17,039	37,423	-	-	-
Total assets	17,039	37,423	682,688	-	-
Liabilities					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	6,301
Total liabilities	-	-	-	-	6,301
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	17,039	37,423	682,688	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-6,301
Total fund balance	17,039	37,423	682,688	-	-6,301
Total liabilities and fund balance	\$ 17,039	\$ 37,423	\$ 682,688	\$ -	\$ -
Revenues					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	4,000	-	-	87,258	-
Interest and dividends	-	-	-	-	-
Charges for services	3,211	4,776	-	-	-
Miscellaneous	-	-	83,778	-	-
Total revenues	7,211	4,776	83,778	87,258	-
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	4,219	-	64,241	87,258	6,300
Capital expenditures	-	-	-	-	-
Total expenditures	4,219	-	64,241	87,258	6,300
Excess (deficiency) of revenues over (under) expenditures	2,992	4,776	19,537	-	-6,300
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	2,992	4,776	19,537	-	-6,300
Fund balance - July 1	14,047	32,647	663,151	-	-1
Fund balance - June 30	\$ 17,039	\$ 37,423	\$ 682,688	\$ -	\$ -6,301

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	Unimproved town roads grant	Agriculture viability grant	Emergency management grant	Fema storm grants	Equipment training grant
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	32,273	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	80,391	1,040	747	62,057	255
Total assets	80,391	1,040	747	94,330	255
Liabilities					
Accounts payable	3,435	-	-	4,706	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	3,435	-	-	4,706	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	76,956	1,040	-	-	255
Committed	-	-	-	-	-
Assigned	-	-	747	89,624	-
Unassigned	-	-	-	-	-
Total fund balance	76,956	1,040	747	89,624	255
Total liabilities and fund balance	\$ 80,391	\$ 1,040	\$ 747	\$ 94,330	\$ 255
Revenues					
Property tax revenues	\$ -	\$ -	\$ 3,384	\$ -	\$ -
Intergovernmental revenues	48,831	-	-	65,956	-
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	1,451	-
Total revenues	48,831	-	3,384	67,407	-
Expenditures					
Salary and wages	-	-	3,229	-	-
Program operating costs	33,815	-	881	26,652	-
Capital expenditures	-	-	-	-	-
Total expenditures	33,815	-	4,110	26,652	-
Excess (deficiency) of revenues over (under) expenditures	15,016	-	-726	40,755	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	15,016	-	-726	40,755	-
Fund balance - July 1	61,940	1,040	1,473	48,869	255
Fund balance - June 30	\$ 76,956	\$ 1,040	\$ 747	\$ 89,624	\$ 255

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	Energy task force grant	State aid drug abuse grant	Vo-ag equipment grant	Warm hearts donations fund	Senior center donations fund
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	600	628	-	25,924	11,965
Total assets	600	628	-	25,924	11,965
Liabilities					
Accounts payable	-	-	-	247	100
Other liabilities	-	-	-	-	-
Due to other funds	-	-	27,749	-	-
Total liabilities	-	-	27,749	247	100
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	600	628	-	25,677	11,865
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-27,749	-	-
Total fund balance	600	628	-27,749	25,677	11,865
Total liabilities and fund balance	\$ 600	\$ 628	\$ -	\$ 25,924	\$ 11,965
Revenues					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	1,000	-	-	11,074	8,658
Total revenues	1,000	-	-	11,074	8,658
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	400	-	-	9,738	4,943
Capital expenditures	-	-	-	-	-
Total expenditures	400	-	-	9,738	4,943
Excess (deficiency) of revenues over (under) expenditures	600	-	-	1,336	3,715
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	600	-	-	1,336	3,715
Fund balance - July 1	-	628	-27,749	24,341	8,150
Fund balance - June 30	\$ 600	\$ 628	\$ -27,749	\$ 25,677	\$ 11,865

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	Misc donations fund	Summer dance fest fund	Cemetery lots fund	Historic buildings fund	Special ed excess costs grant
Assets					
Cash	\$ -	\$ -	\$ 38,185	\$ 10,153	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	5,155	14,812	-	-	-
Total assets	5,155	14,812	38,185	10,153	-
Liabilities					
Accounts payable	720	1,194	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	32,911	-	-
Total liabilities	720	1,194	32,911	-	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	4,435	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	13,618	5,274	10,153	-
Unassigned	-	-	-	-	-
Total fund balance	4,435	13,618	5,274	10,153	-
Total liabilities and fund balance	\$ 5,155	\$ 14,812	\$ 38,185	\$ 10,153	\$ -
Revenues					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	449,240
Interest and dividends	-	-	112	30	-
Charges for services	3,872	-	3,000	-	-
Miscellaneous	950	13,135	1,330	-	-
Total revenues	4,822	13,135	4,442	30	449,240
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	5,130	12,433	-	-	449,240
Capital expenditures	-	-	-	-	-
Total expenditures	5,130	12,433	-	-	449,240
Excess (deficiency) of revenues over (under) expenditures	-308	702	4,442	30	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-308	702	4,442	30	-
Fund balance - July 1	4,743	12,916	832	10,123	-
Fund balance - June 30	\$ 4,435	\$ 13,618	\$ 5,274	\$ 10,153	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2013

	LES activity accounts	LMS activity accounts	LHS activity accounts	School educational grants	Totals
Assets					
Cash	\$ 16,704	\$ 34,149	\$ 32,023	\$ 207,521	\$ 447,289
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	7,254	750,277
Inventories and prepaid items	-	-	-	-	15,369
Due from other funds	-	-	-	-	1,177,496
Total assets	16,704	34,149	32,023	214,775	2,390,431
Liabilities					
Accounts payable	-	-	-	10,772	115,742
Other liabilities	-	-	-	24,255	42,952
Due to other funds	-	-	-	156,952	244,887
Total liabilities	-	-	-	191,979	403,581
Fund balance					
Nonspendable	-	-	-	-	9,250
Restricted	16,704	34,149	32,023	32,614	1,539,114
Committed	-	-	-	-	358,507
Assigned	-	-	-	-	123,847
Unassigned	-	-	-	-9,818	-43,868
Total fund balance	16,704	34,149	32,023	22,796	1,986,850
Total liabilities and fund balance	\$ 16,704	\$ 34,149	\$ 32,023	\$ 214,775	\$ 2,390,431
Revenues					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ 421,114
Intergovernmental revenues	-	-	-	469,628	1,292,977
Interest and dividends	-	-	-	-	296
Charges for services	-	-	-	-	302,820
Miscellaneous	7,865	22,711	54,458	9,480	559,185
Total revenues	7,865	22,711	54,458	479,108	2,576,392
Expenditures					
Salary and wages	-	-	-	373,759	830,452
Program operating costs	7,045	19,470	51,940	100,758	1,451,796
Capital expenditures	-	-	-	-	-
Total expenditures	7,045	19,470	51,940	474,517	2,282,248
Excess (deficiency) of revenues over (under) expenditures	820	3,241	2,518	4,591	294,144
Other financing sources (uses)					
Transfers in	-	-	-	-	59,079
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	59,079
Net change in fund balance	820	3,241	2,518	4,591	353,223
Fund balance - July 1	15,884	30,908	29,505	18,205	1,633,627
Fund balance - June 30	\$ 16,704	\$ 34,149	\$ 32,023	\$ 22,796	\$ 1,986,850

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2013

	Lake Williams project	Town bridge grants	DOT fix it first bridge grant	Tyler field project grant	Totals
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts and other receivables	1,287	-	-	-	1,287
Inventories and prepaid items	-	-	-	-	-
Due from other funds	58,891	841	129	-	59,861
Total assets	60,178	841	129	-	61,148
Liabilities					
Accounts payable	-	-	-	-	-
Other liabilities	1,287	-	-	-	1,287
Due to other funds	-	33,820	-	34,277	68,097
Total liabilities	1,287	33,820	-	34,277	69,384
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	129	-	129
Committed	58,891	-	-	-	58,891
Assigned	-	-	-	-	-
Unassigned	-	-32,979	-	-34,277	-67,256
Total fund balance	58,891	-32,979	129	-34,277	-8,236
Total liabilities and fund balance	\$ 60,178	\$ 841	\$ 129	\$ -	\$ 64,148
Revenues					
Property tax revenues	\$ 4,807	\$ -	\$ -	\$ -	\$ 4,807
Intergovernmental revenues	-	-	221	-	221
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	4,807	-	221	-	5,028
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	9,749	9,749
Capital expenditures	-	-	-	-	-
Total expenditures	-	-	-	9,749	9,749
Excess (deficiency) of revenues over (under) expenditures	4,807	-	221	-9,749	-4,721
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	4,807	-	221	-9,749	-4,721
Fund balance - July 1	54,084	-32,979	-92	-24,528	-3,515
Fund balance - June 30	\$ 58,891	\$ -32,979	\$ 129	\$ -34,277	\$ -8,236

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2013

	Cummings scholarship	George Lyman fund	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	197,350	47,779	11,976	10,015	9,331	7,980
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	197,350	47,779	11,976	10,015	9,331	7,980
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	5,023	1,435	-	971	980
Total liabilities	-	5,023	1,435	-	971	980
Fund balance						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	305	51	-	15	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	197,350	42,756	10,541	10,015	8,360	7,000
Total liabilities and fund balance	\$ 197,350	\$ 47,779	\$ 11,976	\$ 10,015	\$ 9,331	\$ 7,980
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	4,055	959	236	205	142	157
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	4,055	959	236	205	142	157
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	3,750	908	-	190	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	3,750	908	-	190	-	-
Excess (deficiency) of revenues over (under) expenditures	305	51	236	15	142	157
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-236	-	-142	-157
Total other financing sources (uses)	-	-	-236	-	-142	-157
Net change in fund balance	305	51	-	15	-	-
Fund balance - July 1	197,045	42,705	10,541	10,000	8,360	7,000
Fund balance - June 30	\$ 197,350	\$ 42,756	\$ 10,541	\$ 10,015	\$ 8,360	\$ 7,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2013

	Town deposit fund	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant scholarship	EL Reichard nursing scholarship
Assets						
Cash	\$ 6,564	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	6,480	6,110	6,056	4,292	3,005
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	6,564	6,480	6,110	6,056	4,292	3,005
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Nonspendable	6,564	6,400	6,050	5,000	4,285	3,000
Restricted	-	80	60	1,056	7	5
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	6,564	6,480	6,110	6,056	4,292	3,005
Total liabilities and fund balance	\$ 6,564	\$ 6,480	\$ 6,110	\$ 6,056	\$ 4,292	\$ 3,005
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	5	80	176	12	88	62
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	5	80	176	12	88	62
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	116	-	81	57
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	-	116	-	81	57
Excess (deficiency) of revenues over (under) expenditures	5	80	60	12	7	5
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-
Total other financing sources (uses)	-3	-	-	-	-	-
Net change in fund balance	2	80	60	12	7	5
Fund balance - July 1	6,562	6,400	6,050	6,044	4,285	3,000
Fund balance - June 30	\$ 6,564	\$ 6,480	\$ 6,110	\$ 6,056	\$ 4,292	\$ 3,005

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2013

	Flora Williams scholarship	Local school fund	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
Assets						
Cash	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 7,564
Investments	2,003	-	-	1,140	12,040	325,557
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	1,937	-	-	-	1,937
Total assets	2,003	1,937	1,000	1,140	12,040	335,058
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	140	-	8,549
Total liabilities	-	-	-	140	-	8,549
Fund balance						
Nonspendable	2,000	1,937	1,000	1,000	9,385	322,272
Restricted	3	-	-	-	2,655	4,237
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	2,003	1,937	1,000	1,000	12,040	326,509
Total liabilities and fund balance	\$ 2,003	\$ 1,937	\$ 1,000	\$ 1,140	\$ 12,040	\$ 335,058
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	41	1	1	22	368	6,610
Net change in investment fair value	-	-	-	-	1,578	1,578
Miscellaneous	-	-	-	-	-	-
Total revenues	41	1	1	22	1,946	8,188
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	38	-	-	-	-	5,140
Capital expenditures	-	-	-	-	-	-
Total expenditures	38	-	-	-	-	5,140
Excess (deficiency) of revenues over (under) expenditures	3	1	1	22	1,946	3,048
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-1	-1	-22	-	-562
Total other financing sources (uses)	-	-1	-1	-22	-	-562
Net change in fund balance	3	-	-	-	1,946	2,486
Fund balance - July 1	2,000	1,937	1,000	1,000	10,094	324,023
Fund balance - June 30	\$ 2,003	\$ 1,937	\$ 1,000	\$ 1,000	\$ 12,040	\$ 326,509

Town of Lebanon, Connecticut
Combining Statement of fiduciary net position and Statement
of changes in fiduciary net position - Private purpose trusts
As of and for the year ended June 30, 2013

	Jared Hinckley scholarship	Kalmon Kurcinik scholarship	Mary Chase fund	Robert L. Hanover scholarship	Richard Woyasz scholarship
Assets					
Cash	\$ -	\$ -	\$ 7,979	\$ -	\$ -
Investments	49,995	8,560	-	1,819	1,191
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	49,995	8,560	7,979	1,819	1,191
Liabilities					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position					
Restricted					
Expendable	49,995	8,560	7,979	1,819	1,191
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	49,995	8,560	7,979	1,819	1,191
Total liabilities and net position	\$ 49,995	\$ 8,560	\$ 7,979	\$ 1,819	\$ 1,191
Additions:					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-
Interest and dividends	218	26	7	5	7
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	218	26	7	5	7
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	225	350	-	-	-
Capital expenditures	-	-	-	-	-
Total deductions	225	350	-	-	-
Change in net position	-7	-324	7	5	7
Net position - July 1	50,002	8,884	7,972	1,814	1,184
Net position - June 30	\$ 49,995	\$ 8,560	\$ 7,979	\$ 1,819	\$ 1,191

Town of Lebanon, Connecticut
Combining Statement of fiduciary net position and Statement
of changes in fiduciary net position - Private purpose trusts
As of and for the year ended June 30, 2013

	Flegert Ausberger library	Nichols Trahan scholarship	Town school prizes	Totals
Assets				
Cash	\$ -	\$ -	\$ 1,778	\$ 9,757
Investments	2,507	8,302	-	72,374
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>2,507</u>	<u>8,302</u>	<u>1,778</u>	<u>82,131</u>
Liabilities				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Restricted				
Expendable	2,507	8,302	1,778	82,131
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
Total net position	<u>2,507</u>	<u>8,302</u>	<u>1,778</u>	<u>82,131</u>
Total liabilities and net position	<u>\$ 2,507</u>	<u>\$ 8,302</u>	<u>\$ 1,778</u>	<u>\$ 82,131</u>
Additions:				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	51	13	2	329
Net change in investment fair value	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>51</u>	<u>13</u>	<u>2</u>	<u>329</u>
Deductions:				
Salary and wages	-	-	-	-
Program operating costs	-	500	-	1,075
Capital expenditures	-	-	-	-
Total deductions	<u>-</u>	<u>500</u>	<u>-</u>	<u>1,075</u>
Change in net position	51	-487	2	-746
Net position - July 1	<u>2,456</u>	<u>8,789</u>	<u>1,776</u>	<u>82,877</u>
Net position - June 30	<u>\$ 2,507</u>	<u>\$ 8,302</u>	<u>\$ 1,778</u>	<u>\$ 82,131</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Town construction projects
As of and for the year ended June 30, 2013

	LES building project	LMS building project	Fire safety complex	Senior center complex	Amston lake sewer project	Totals
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	35,376	35,376
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	192,020	11,641	-	-	203,661
Total assets	-	192,020	11,641	-	35,376	239,037
Liabilities						
Accounts payable	-	-	-	-	229,558	229,558
Due to other funds	585,232	-	-	1,894	10,911	598,037
Total liabilities	585,232	-	-	1,894	240,469	827,595
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	192,020	11,641	-	-	203,661
Assigned	-	-	-	-	-	-
Unassigned	-585,232	-	-	-1,894	-205,093	-792,219
Total fund balance	-585,232	192,020	11,641	-1,894	-205,093	-588,558
Total liabilities and fund balance	\$ -	\$ 192,020	\$ 11,641	\$ -	\$ 35,376	\$ 239,037
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	781,494	781,494
Interest and dividends	-	-	-	-	941	941
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	-	-	782,435	782,435
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	5,160,150	5,160,150
Capital expenditures	-	-	-	-	2,842,613	2,842,613
Total expenditures	-	-	-	-	8,002,763	8,002,763
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-7,220,328	-7,220,328
Other financing sources (uses)						
Proceeds from debt issuance	-	-	-	-	5,105,000	5,105,000
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	5,105,000	5,105,000
Net change in fund balance	-	-	-	-	-2,115,328	-2,115,328
Fund balance - July 1	-585,232	192,020	11,641	-1,894	1,910,235	1,526,770
Fund balance - June 30	\$ -585,232	\$ 192,020	\$ 11,641	\$ -1,894	\$ -205,093	\$ -588,558

Town of Lebanon, Connecticut
Combining Statement of revenues, expenditures, and changes
in fund balances - Capital non-recurring fund projects
As of and for the year ended June 30, 2013

	Fund balance 07/01/12	Annual appropriation	Revenues	Expenditures	Account transfers	Fund balance 06/30/13
General government:						
Finance accounting software	\$ -1	\$ -	\$ -	\$ -	\$ 1	\$ -
Revaluation	19,999	40,000	-	-28,375	-	31,624
	19,998	40,000	-	-28,375	1	31,624
Public safety:						
State security grant	74	-	-	-	-74	-
Police car	6,728	-10,696	-	-	3,968	-
Fire apparatus reserve	217,082	-	-	-217,000	-	82
Emergency services reserve	120,199	-	27,725	-24,200	-	123,724
Fire safety complex hall ceiling light	-1,817	1,817	-	-	-	-
	342,266	-8,879	27,725	-241,200	3,894	123,806
Public works:						
Shore road pipe replacement	1	-	-	-	-1	-
Amston lake water quality	34,899	-34,899	-	-	-	-
Lake Williams water quality	-982	-62	-	-	1,044	-
Paving	26,891	390,000	-	-420,882	3,991	-
Road plan	67,999	-	-	-	-	67,999
Sisson road bridge	-24,944	25,000	-	-	-	56
Mack road bridge	-1,000	1,000	-	-	-	-
Waterman road bridge	14,887	-142,798	-	-3,317	-	-131,228
Taylor road bridge	-10,485	58,000	-	-286,856	-	-239,341
Tobacco street bridge	49,135	-	-	-19	-	49,116
Hoxie road bridge	-74,944	-	-	-	-	-74,944
Leonard road bridge phase IV	122,614	-	-	-	-	122,614
Leonard road bridge phase V	-30,893	-	-	-	-	-30,893
Tobacco street culvert	-13,894	134,000	-	-122,021	-	-1,915
Oil water separator building	8,000	-	-	-	-8,000	-
Pickup truck	5,686	-6,085	-	-	399	-
Plow truck	3,001	-	-	-	-3,001	-
Equipment lease purchase	-	75,000	-	-55,385	-	19,615
Solid waste facility upgrades	10,000	-10,000	-	-525	525	-
Cemetery commission repairs	2,816	-	-	-	-	2,816
	188,787	489,156	-	-889,005	-5,043	-216,105
Health and social:						
Library data cabling	-929	-	-	-	929	-
Library footing drains	1	-	-	-	-1	-
Adams community center siding	14,202	-	-	-	-14,202	-
Aspinall pavilion	2,889	17,000	-	-19,889	-	-
Library capital non-recurring items	-12,472	-	-	-	12,472	-
Senior van purchase	39,767	-	-	-30,820	-8,947	-
	43,458	17,000	-	-50,709	-9,749	-

Town of Lebanon, Connecticut
Combining Statement of revenues, expenditures, and changes
in fund balances - Capital non-recurring fund projects
As of and for the year ended June 30, 2013

	Fund balance 07/01/12	Annual appropriation	Revenues	Expenditures	Account transfers	Fund balance 06/30/13
Community preservation:						
Open space	\$ 155,119	\$ -	\$ 500	\$ -66,697	\$ -	\$ 88,922
Education:						
Gym lockers	306	-	-	-	-306	-
High school water purification	-2,727	-	-	-	2,727	-
High school water heater	6,350	-	-	-	-6,350	-
Mobile computer labs	344	-	-	-	-344	-
Well repairs	37,546	-	-	-38,313	-1,025	-1,792
Resurface and re-certify track	30,625	-30,625	-	-	-	-
Resurface tennis courts	24,000	-10,000	-	-14,985	985	-
Elementary school cafeteria floor	11,389	-11,388	-	-	-1	-
School improvement plan	-	150,000	-	-50,851	-	99,149
Technology	-	90,000	-	-90,000	-	-
Outdoor athletic facilities	-	40,625	-	-8,400	-	32,225
	<u>107,833</u>	<u>228,612</u>	<u>-</u>	<u>-202,549</u>	<u>-4,314</u>	<u>129,582</u>
Unclassified:						
Uncommitted fund balance	<u>-56,452</u>	<u>41,241</u>	<u>-</u>	<u>-</u>	<u>15,211</u>	<u>-</u>
Sub-totals:	801,009	807,130	28,225	-1,478,535	-	157,829
Non-cash capital lease purchase	-	-	-	-167,446	-	-167,446
Non-cash capital lease proceeds	<u>-</u>	<u>167,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,446</u>
Totals:	<u>\$ 801,009</u>	<u>\$ 974,576</u>	<u>\$ 28,225</u>	<u>\$ 1,645,981</u>	<u>\$ -</u>	<u>\$ 157,829</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Trumbull Investments fund
As of and for the year ended June 30, 2013

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,163,716	651,108	434,761	2,249,585
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,163,716</u>	<u>651,108</u>	<u>434,761</u>	<u>2,249,585</u>
Liabilities				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	1,163,716	651,108	434,761	2,249,585
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>1,163,716</u>	<u>651,108</u>	<u>434,761</u>	<u>2,249,585</u>
Total liabilities and fund balance	<u>\$ 1,163,716</u>	<u>\$ 651,108</u>	<u>\$ 434,761</u>	<u>\$ 2,249,585</u>
Revenues				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	27,529	20,514	12,932	60,975
Net change in investment fair value	191,603	55,419	51,861	298,883
Miscellaneous	-	-	-	-
Total revenues	<u>219,132</u>	<u>75,933</u>	<u>64,793</u>	<u>359,858</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	79	-	-	79
Capital expenditures	-	-	-	-
Total expenditures	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,053</u>	<u>75,933</u>	<u>64,793</u>	<u>359,779</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-26,030	-20,164	-12,585	-58,779
Total other financing sources (uses)	<u>-26,030</u>	<u>-20,164</u>	<u>-12,585</u>	<u>-58,779</u>
Net change in fund balance	193,023	55,769	52,208	301,000
Fund balance - July 1	<u>970,693</u>	<u>595,339</u>	<u>382,553</u>	<u>1,948,585</u>
Fund balance - June 30	<u>\$ 1,163,716</u>	<u>\$ 651,108</u>	<u>\$ 434,761</u>	<u>\$ 2,249,585</u>

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2013

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 15,954,010
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	-
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	30,781
Total base	<u><u>\$ 15,984,791</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 35,965,780	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	71,931,560	-	-	-
3 3/4 times base	-	-	59,942,966	-	-
3 1/4 times base	-	-	-	51,950,571	-
3 times base	-	-	-	-	47,954,373
Total debt limitation	<u>35,965,780</u>	<u>71,931,560</u>	<u>59,942,966</u>	<u>51,950,571</u>	<u>47,954,373</u>

Indebtedness:

Bonds payable	733,200	2,321,800	5,105,000	-	-
Bonds authorized and unissued	630,000	8,296,724	1,445,000	-	-
Notes payable	157,571	-	-	-	-
Capital leases payable	131,164	20,346	-	-	-
Accrued compensated absences:					
School employees	-	20,798	-	-	-
Town employees	33,314	-	-	-	-
Accrued post closure landfill costs	77,631	-	-	-	-
Total indebtedness	<u>1,762,880</u>	<u>10,659,668</u>	<u>6,550,000</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 34,202,900</u></u>	<u><u>\$ 61,271,892</u></u>	<u><u>\$ 53,392,966</u></u>	<u><u>\$ 51,950,571</u></u>	<u><u>\$ 47,954,373</u></u>
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Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$111,893,537 which is well above the \$18,972,548 current amount of outstanding and authorized and unissued debt of the Town. The authorized but unissued bond amounts relating to the school as of June 30, 2013 are made up of \$964,150 for middle school boiler replacement and heating system renovations, \$360,000 for improvements to various school facilities and \$6,972,574 for the elementary and middle school projects. The authorized but unissued bond amounts relating to general purpose items as of June 30, 2013 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2013 relate to the Amston Lake sewer construction project. These authorized and unissued bond amounts have been included above due to the fact that the Town's interpretation that the reasons for excluding certain types of debt from inclusion in this schedule as outlined in the Connecticut General Statutes Section 7-374(b), do not apply to these items of authorized and unissued bond amounts.

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2013

Grand list	Uncollected taxes 06/30/12	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2011	\$ -	\$ 15,832,168	\$ 6,930	\$ -30,591	\$ 15,808,507
2010	339,802	-	655	-2,623	337,834
2009	99,911	-	-	-	99,911
2008	12,626	-	-	-	12,626
2007	8,195	-	-	-	8,195
2006	5,080	-	-	-	5,080
2005	1,408	-	-	-	1,408
2004	793	-	-	-	793
2003	688	-	-	-	688
2002	249	-	-	-	249
2001	154	-	-	-	154
2000	148	-	-	-	148
1999	42	-	-	-	42
1998	71	-	-	-	71
1997	71	-	-	-	71
1996	75	-	-	-	75
	<u>\$ 469,313</u>	<u>\$ 15,832,168</u>	<u>\$ 7,585</u>	<u>\$ -33,214</u>	<u>\$ 16,275,852</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2013

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/13
	Taxes	Interest	Lien fees			
2011	\$ 15,476,522	\$ 72,036	\$ 2,322	\$ 15,550,880	\$ -1,106	\$ 330,879
2010	233,975	50,990	2,292	287,257	-1,068	102,791
2009	40,175	16,762	600	57,537	-24,018	35,718
2008	7,382	4,181	240	11,803	-998	4,246
2007	4,515	1,991	292	6,798	-1,258	2,422
2006	1,266	1,492	198	2,956	-999	2,815
2005	150	2	24	176	-511	747
2004	-	-	-	-	-79	714
2003	-	-	-	-	-	688
2002	-	-	-	-	-	249
2001	-	-	-	-	-	154
2000	-	-	-	-	-	148
1999	-	-	-	-	-	42
1998	-	-	-	-	-	71
1997	-	-	-	-	-	71
1996	-	-	-	-	-75	-
	<u>\$ 15,763,985</u>	<u>\$ 147,454</u>	<u>\$ 5,968</u>	<u>\$ 15,917,407</u>	<u>\$ -30,112</u>	<u>\$ 481,755</u>

- A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the asset account for each outstanding tax year. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Sub-Schedule D. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule D.

\$ 15,832,168	Current year taxes levied from page 68
147,454	Tax interest collections during the current fiscal year from above
7,402	Suspense interest and lien collections during the current fiscal year
5,968	Tax lien fee collections during the current fiscal year from above
8,700	Suspense principle balance collections during the current fiscal year
-23,104	Account balance adjustments as items transferred to suspense
-25,629	The net lawful corrections made during the current fiscal year from page 68
-3,756	The deferred tax revenue adjustment made as described in item number 2 on page 17
15,949,203	Property taxes, interest, and liens per Statement E
4,807	Lake Williams assessment principal and interest collections
<u>\$ 15,954,010</u>	Property taxes, interest, and liens per Statement D and Sub-Schedule D

- B - Operation of Law - No tax can be collected 15 years after the original due date. The \$75 adjustment shown above for the 1996 grand list year represents a write off in accordance with this operation of law.
- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$8,700 was collected on principle suspense tax balances owed and \$7,402 of interest and lien fees was collected on principle suspense tax balances owed. Certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$507 decrease. In addition, \$6,933 of adjustments shown above represent the reclassification of outstanding tax balances to tax acquired property through foreclosure.

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2013

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Direct program - Rural Development			
Community facility loans	10.760	-	\$ 5,105,000
Community facility grants			781,494
			<u>5,886,494</u>
Passed through the State of Connecticut -			
Department of Education			
Child nutrition cluster:			
School breakfast program	10.553	12060-SDE64370-20508-2012	4,798
		12060-SDE64370-20508-2013	12,049
School lunch program	10.555	12060-SDE64370-20560-2012	25,312
		12060-SDE64370-20560-2013	64,969
School milk program	10.556	12060-SDE64370-20500-2012	192
			<u>107,320</u>
Supplemental nutrition assistance program	10.580	12060-SDE64351-26130-2012	<u>1,020</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Connecticut -			
Department of Economic and Community Development			
Small cities program -			
Housing rehabilitation loan program	14.228	12060-ECD46400-20730-2013	<u>87,258</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster:			
Passed through the State of Connecticut -			
Department of Transportation			
Highway planning and construction	20.205	12062-DOT57124-22108-2013	<u>60</u>
Institute of Museum and Library Services			
Passed through the State of Connecticut -			
Connecticut State Library			
Library services & technology act - grants to states	45.310	12060-CSL66055-21031-2013	<u>3,000</u>
U.S. Department of Energy			
Passed through the State of Connecticut -			
Department of Environmental Protection			
ARRA State emergency assurance grant	81.128	12060-DEP44720-29072-2013	<u>1,200</u>

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards (continued)
For the year ended June 30, 2013

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Education			
Passed through the State of Connecticut - Department of Education Title I Part A Cluster:			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2012 12060-SDE64370-20679-2013	\$ 1,590 72,563 <u>74,153</u>
Special Education Cluster			
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2012 12060-SDE64370-20977-2013	144,692 76,169
Idea Part B - Section 619 Preschool	84.173	12060-SDE64370-20983-2013	10,012 <u>230,873</u>
Title II Part A - Improving teacher quality	84.367	12060-SDE64370-20858-2012 12060-SDE64370-20858-2013	28,567 12,320 <u>40,887</u>
Passed through the State of Connecticut - Department of Education Passed through Eastconn Carl D. Perkins vocational & technology education act consortium grant	84.048	-	<u>7,254</u>
U.S. Department of Homeland Security			
Passed through the State of Connecticut - Department of Emergency Services & Public Protection Disaster grants - public assistance	97.036	12060-DPS32990-21891-2012 12060-DPS32990-21891-2013	4,165 60,591 <u>64,756</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,504,275</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2013

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule may include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section §___.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

Note 2 - Loans outstanding

The Town of Lebanon, Connecticut has the following loan balance outstanding at June 30, 2013. This outstanding loan balance is also included in the schedule of expenditures of federal awards due to the fact that the loan funds were received and expended during the current fiscal year and will be included until the related construction project has been completed.

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Amount outstanding</u>
Community facility loans	10.760	<u>\$ 5,105,000</u>

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lebanon, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We do not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 13-01 through 13-04.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

The Town of Lebanon, Connecticut's Responses to Findings

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Lebanon, Connecticut's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lebanon, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 7, 2014

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on compliance for each major program and
on internal control over compliance required by OMB Circular A-133

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Report on Compliance for each Major Federal Program

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major federal programs for the year ended June 30, 2013. The Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Lebanon, Connecticut's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lebanon, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 7, 2014

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2013

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut (the auditee) as of and for the year ended June 30, 2013 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §____.505(d)(1).

- (i) The auditor's report expresses unqualified opinions on the financial statements of the auditee.
- (ii) There were four significant deficiencies in internal control disclosed by the audit of the financial statements of the auditee. These significant deficiencies are referenced in the accompanying schedule of findings and questioned costs as item numbers 13-01 through 13-04. None of these significant deficiencies were considered to be a material weakness.
- (iii) No instances of noncompliance material to the financial statements of the auditee were disclosed during the audit.
- (iv) There were no significant deficiencies in internal control over compliance for major programs disclosed by the audit of the financial statements of the auditee.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) The following programs (CFDA numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §____.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The following Type A program was the only identified Type A program of the Town and was considered to be a high-risk program and therefore tested as major. In accordance with the aforementioned section, one high-risk type B program must be tested for each low-risk type A program. Since the only type A program was determined to be high-risk, no type B programs were or needed to be tested.

Community Facility Loans and Grants	CFDA # 10.760	<u>\$ 5,886,494</u>
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- (vii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (viii) The auditee did not qualify as a low-risk auditee under §____.530. In accordance with section §____.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$6,504,275. The programs and expenditures noted above in item (vi) represent approximately 91% of the total federal awards expended.

Findings Related to Financial Statements

There were four findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §____.505(d)(2). These four findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings and questioned costs as item numbers 13-01 through 13-04.

Findings, Questioned Costs, and Responses for Federal Awards

There were no findings and questioned costs for Federal Awards which shall include audit findings as defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).

Summary Schedule of Prior Audit Findings

There was one finding and questioned cost related to federal award programs reported in the audit report for the auditee for the year ended June 30, 2011 which was not resolved for the year ended June 30, 2012. Therefore, this finding and the status of this finding is being referenced in the accompanying summary schedule of prior audit findings as item number 11-07.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2013

13-01 - Accounting policies and procedures manual

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Condition:

As part of the audit I was provided with a copy of a document labeled Finance Office - Accounting Policies and Procedures Manual. This manual was reviewed to determine that the policies and procedures contained within the manual were approved, when they were approved, the adequacy of the policies and procedures and whether or not it appeared as though the policies and procedures were being followed. In reviewing the manual it showed that it was signed by the finance director as of July 1, 2013 and through correspondence with the finance director it started being used by the finance office during April of 2013. The manual does not appear to have been approved by either the Board of Selectmen or the Board of Finance as the governing bodies of the Town. In reviewing the manual it does appear as though it is a very comprehensive document which does cover the policies and procedures which would be applicable to a municipal finance office. However, it would appear as though a number of policies within the manual were not followed from when the finance office started using the manual in April of 2013 through June of 2013. The manual states that the Board of Education business manager along with the town accounting technician would reconcile the Board of Education checking account on a monthly basis, however, during the aforementioned three month period I was unable to find any specific bank reconciliations either prepared or signed off on as assisting in the preparation of said reconciliation by the Board of Education business manager. The accounts receivable and payable sections of the manual do not appear to address the reconciliation process for each account. There is a very comprehensive capital assets section within the manual, however, the capital assets listing was not updated during the current fiscal year. In addition, the manual does not address the accounting and reporting to be followed for prepaid expenditures, accrued payroll and other asset and liability accounts of the Town. Though the Town does have a policies and procedures manual, it would appear that in its current form it is incomplete in regard to certain aspects as mentioned above. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context and effect:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts, the steps necessary to process payroll and the steps to be followed in reconciling certain accounts of the Town. The two main goals of developing and adequately documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of internal controls and checks and balances which safeguard the assets of the Town.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town.

Recommendation:

It does appear that the finance office of the Town has created a very comprehensive policies and procedures manual which does adequately cover the majority of the facets of the finance office. We do recommend that the manual continue to evolve and implement some of the items noted above that don't appear to have been adequately addressed at this time. We recommend that the governing bodies of the Town work toward approving this manual. In addition, we recommend that all of the policies and procedures within this manual be followed and documented and that periodically a designated individual outside of the finance office review the completion of these procedures to ensure that they are being followed and effectively applied.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and the aforementioned policies and procedures manual has been submitted to both the Board of Selectmen and the Board of Finance for review. We also understand that this is an ongoing process and that the items outlined above will be reviewed and any necessary changes will be made to the manual going forward.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2013

13-02 - Capital assets and inventory record keeping

Criteria:

The Town is required to report capital assets as accurately as possible in its financial statements in accordance with generally accepted accounting principles. As such, annual capital asset additions, deletions and capital asset balances would be reported in the financial statements and disclosed in the notes to the financial statements.

Condition:

The Town does not keep a detailed listing of its' capital assets or other inventory items which may fall below the capitalization threshold of the Town but which may be useful to keep track of for future planning and capital improvement purposes. As such, accurate dollar amounts for annual capital asset additions, deletions and capital asset balances would not be known to the Town during the fiscal year and most likely not until the completion of the annual audit. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Town has established a capital assets capitalization policy that states it will capitalize all expenses for property, plant, and equipment in excess of \$5,000. During the current fiscal year the only items capitalized consisted of town construction projects expenditures and other items noted during the audit. A complete listing of new capital assets was not presented to be capitalized and no listing of capital assets being disposed of during the fiscal year was presented. At this time, the only way to record current year additions would be to scan the cash disbursements journal for items in excess of this amount and then select the invoices to determine whether they meet the definition of a capital asset and in turn whether or not they should be capitalized. In addition, the aforementioned process is in many cases unable to determine whether any items have or have not been disposed of during the current fiscal year. This procedure does however fall outside the scope of the current audit. In regard to other inventory items not meeting the \$5,000 capitalization threshold, the Town should have some system in place to keep track of certain items that may need to be replaced at some future point in time.

Effect:

Without these steps being taken and detailed listings being kept it is difficult for the Town to have an accurate financial picture in relation to their current capital assets and inventory and their potential future needs. As a result, there can be no reasonable assurance present that the Town's specific objectives are being achieved both in the short term and in the long term or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town.

Recommendation:

We recommend that the Town implement some type of system to track and record the additions and deletions of capital assets when they are purchased and when they are disposed of. This system should consist of an initial recognition of items being purchased fitting the definition of a capital asset and a periodic inventory of capital assets to ensure that any items being disposed of have been recorded as such.

Views of responsible officials and planned corrective actions:

We have discussed this audit finding with our auditor and we do understand the importance of keeping a detailed listing of our capital assets and other inventory items as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations which should free up more time for either the finance director or the part time accounting individual to address this capital asset record keeping deficiency. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2013

13-03 - Account reconciliations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

For the current fiscal year there did not appear to be an adequate system of internal controls in place to ensure that all of the asset and liability accounts on the trial balance of the Town were reconciled. In addition, it did not appear that there was an adequate system of internal controls in place to review revenue and expenditure accounts to determine if any transactions had been mis-posted and therefore needed to be corrected. Without an adequate system of internal controls in place to ensure that all asset and liability accounts are being reconciled and documenting that all revenue and expenditure accounts are being reviewed, there is no way to ensure that items that need to be corrected will be prevented or even detected and corrected on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

It does appear as though monthly bank reconciliations were prepared for the majority of the cash accounts of the Town during the current fiscal year. However, it would appear as though the majority of the remaining balance sheet accounts went unreconciled during the current fiscal year. If reconciliations were prepared on these remaining balance sheet accounts, I was unable to find any documentation of the reconciliations and the results of the reconciliations. As a result of the audit, 71 adjusting journal entries were proposed for the general fund of the Town and another 62 were proposed for the other funds on the trial balance of the Town. Not all of these adjustments were necessarily correcting items that would have been found if reconciliations had been completed but a large number of them should have been found if reconciliations had been completed. In addition, I was unable to find any documentation showing that revenue and expenditure account had been reviewed for mis-postings during the current fiscal year and a number of the aforementioned adjustments were necessary to correct recorded revenue and expenditure account balances on the trial balance of the Town.

Effect:

Without account reconciliations being prepared for all asset and liability accounts as well as periodic documented reviews of the transactions recorded in the revenue and expenditure accounts, it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town. This would appear to make it difficult to apportion the time needed to effectively reconcile all of the asset and liability accounts as shown on the trial balance and to perform and document the reviews of the revenue and expenditure accounts.

Recommendation:

We recommend that the Town develop an adequate system of internal controls to ensure that all asset and liability accounts are being reconciled and that an adequate system of internal controls are in place to document the revenue and expenditure account reviews and that these reviews are completed and documented at least on a quarterly basis if not a monthly basis.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2013

13-04 - Bank account reconciliations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

The Town has two main checking accounts and one main deposit account from which the majority of its day to day activities are accounted. Account reconciliations were prepared on these three accounts during the current fiscal year comparing the actual bank statement balance to the recorded bank balance as shown on the Town's trial balance. These reconciliations were initialed by the individual preparing the reconciliations and by the individual reviewing the reconciliations, however, the majority of the bank reconciliations were not prepared in a timely manner and the reconciliation file for some months contained multiple reconciliations for the same month signed and dated in different months. The reconciliations also contained a large number of reconciling items which had been accumulated during the fiscal year which were never corrected. As a result, the bank balances as shown on the Town's trial balance were incorrect for the majority of the fiscal year when compared to the actual reconciled bank statement balances. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

One of the main reasons for preparing bank account reconciliations is to make sure that the accounting transactions which show up on the Town's trial balance are the same as those that show up on the actual corresponding bank account statements. Items which do not match up between the trial balance and the bank statement are referred to as reconciling items. Normally reconciling items will show up on a given months bank reconciliation in order to balance the reconciliation. Once the reconciliation is complete and more time is available, these items should be researched more thoroughly and the appropriate adjusting journal entries should be prepared, approved and entered into the trial balance to correct the variance. A number of these bank reconciliations contained a large number of reconciling items which had been accumulated during the fiscal year which were not adjusted for and corrected during the fiscal year. In addition, some of these reconciling items were either incorrect or incomplete and further research was necessary during the audit to assist the Town in preparing the necessary adjusting entries to correct the bank balances as shown on the Town's trial balance.

Effect:

Without reconciling items being fully researched and corrected in a timely manner, the bank balances as shown on the Town's trial balance are incorrect when compared to the actual bank statement balances and therefore it is difficult to have an accurate internal financial picture of the Town during the fiscal year. Without an accurate internal financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town.

Recommendation:

We recommend that all bank account reconciliations be prepared and reviewed in a timely manner and that all reconciling items be fully researched and corrected in a timely manner to ensure that the bank balances as shown on the Town's trial balance are accurate and up to date as possible throughout the fiscal year.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

Town of Lebanon, Connecticut
Summary schedule of prior audit findings
June 30, 2013

11-07 - Questioned costs

Federal program: Special Education - Grants to States (IDEA, Part B), Recovery Act
Federal CFDA #: 84.391
Pass-through entity: State of Connecticut - Department of Education
Grant period: 07/01/09 - 06/30/11

Condition and questioned costs:

During the testing of expenditures for this grant, it was found that two invoices were paid on 06/28/11 relating to what appears to be initial setup and purchase amounts of \$500 and \$8,375 for software and license and support services through June 2012 amounts of \$300 and \$8,528. The total of these two invoices which were paid on 06/28/11 was \$17,703. Through a discussion with a member of the Board of Education it was conveyed that the initial setup and purchase of these two items occurred prior to 06/30/11, however, the invoices do not indicate any particular dates for the initial setup and purchase of this software they are simply dated as 06/20/11 and 06/01/11, respectively. If the initial setup and purchase of this software did occur prior to the end of the grant period and it could be determined that a reasonable amount of benefit was received for the performance of this grant prior to the end of the grant period, it would seem reasonable to determine that the \$500 and \$8,375 portion of these payments was allowable to be charged to the grant. However, the license and support services which run through June 2012 would appear not to provide any reasonable benefit for the performance of the grant prior to the end of the grant period, and therefore it would seem unreasonable to determine that the \$300 and \$8,528 portion of these invoices would be allowable to be charged to the grant.

Status:

No information regarding any communications received by the Town or the Board of Education from either the federal awarding agency or the pass-through agency were disclosed during the current fiscal year audit. The status of this finding will be reviewed and reported on as part of the upcoming fiscal years audit.

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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Independent Auditors Report on Compliance for each major state program and
Internal control over compliance and the Schedule of expenditures of state
financial assistance required by the State Single Audit Act

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major state programs for the year ended June 30, 2013. The Town of Lebanon, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Lebanon, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Lebanon, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Lebanon, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Lebanon, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lebanon, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purposes.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated January 7, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by the State Single Audit Act is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 7, 2014

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2013

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004-2013	\$ 31,673
Disabled program	11000-OPM20600-17011-2013	704
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2013	30,781
Property tax relief for veterans	11000-OPM20600-17024-2013	3,022
<u>Department of Education:</u>		
Healthy food initiative	11000-SDE64370-16212-2013	9,078
Child nutrition program state match	11000-SDE64370-16211-2013	4,179
Vocational Agriculture	11000-SDE64370-17017-2013	160,404
Adult education	11000-SDE64370-17030-2013	7,671
School readiness	11000-SDE64370-12113-2013	107,000
School readiness quality enhancement	11000-SDE64370-17097-2013	4,487
School breakfast program	11000-SDE64370-17046-2013	9,665
<u>Connecticut State Library:</u>		
Historic documents preservation grant	12060-CSL66094-35150-2013	4,000
Grants to public libraries	11000-CSL66051-17003-2013	1,208
Connecticard payments	11000-CSL66051-17010-2013	952
FAD - Temporary holding account	34003-CSL66094-42350-2013	150
<u>Department of Transportation:</u>		
Town aid road grants	13033-DOT57131-43459-2013	143,798
Bus operations	12001-DOT57931-12175-2013	24,448
Fix-it-first bridge repairs	13033-DOT57151-43123-2013	92
<u>Department of Environmental Protection:</u>		
Revenue deposits	11000-DEP43910-18010-2013	1,612
<u>Department of Agriculture:</u>		
Farmland preservation	12060-DAG42720-90460-2009	20
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2013	4,821
Other expenses	11000-DRS16312-10020-2013	70
Other expenses	11000-DSS60439-10020-2013	10
Other expenses	11000-DSS60760-10020-2013	10
Total State Financial Assistance before exempt programs		\$ 549,855

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2013

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
Exempt Programs		
<u>State Department of Education:</u>		
Transportation of school children	11000-SDE64370-17027-2013	\$ 91,897
Education equalization grants	11000-SDE64370-17041-2013	5,548,440
Special education excess costs	11000-SDE64370-17047-2013	449,240
<u>Office of Policy and Management:</u>		
Mashantucket Pequot Grant	12009-OPM20600-17005-2013	31,250
Municipal video competition	12060-OPM20600-35362-2012	225
Municipal revenue sharing quarterly payments	12060-OPM20600-35458-2013	24,147
Municipal revenue sharing annual payment	12060-OPM20600-35458-2013	48,713
Total exempt programs		<u>6,193,912</u>
Total expenditures of State Financial Assistance		<u><u>\$ 6,743,767</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2013

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of expenditures of state financial assistance.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2013

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------------------|-----|-------------------|---------------|
| • Material weakness (es) identified? | <u> </u> | yes | <u>X</u> | no |
| • Significant deficiency (ies) identified? | <u>X</u> | yes | <u> </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u> </u> | yes | <u>X</u> | no |

State Financial Assistance

Type of auditors' report issued on compliance for major programs Unmodified

Internal control over major programs:

- | | | | | |
|---|-------------------|-----|----------|---------------|
| • Material weakness (es) identified? | <u> </u> | yes | <u>X</u> | no |
| • Significant deficiency (ies) identified? | <u> </u> | yes | <u>X</u> | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | <u> </u> | yes | <u>X</u> | no |

Major State Programs and percentage of coverage

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Lebanon, Connecticut's non-exempt expenditures of state financial assistance amount of \$549,855, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds \$100,000. The Town of Lebanon has three Type A programs for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has two Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.
- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's Type A programs were all determined to be high-risk and therefore were all audited as major programs. None of the two Type B programs for which a risk assessment was required were determined to be high-risk and therefore they were not audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$549,855. The programs tested as major and shown below represent approximately 75% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Vocational Agriculture	11000-SDE64370-17017-2013	\$ 160,404
School readiness	11000-SDE64370-12113-2013	107,000
Town aid road grants	13033-DOT57131-43459-2013	143,798
		<u>\$ 411,202</u>

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 100,000

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2013

II. Financial Statement Findings

- We issued our report, dated January 7, 2014, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on internal control over financial reporting indicated four significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs within the federal compliance section of these financial statements and are labeled as item numbers 13-01 through 13-04 starting on page 78. We do not consider any of these significant deficiencies to be a material weakness.
- Our report on compliance indicated no reportable instances of noncompliance.

III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are being reported relating to State financial assistance programs.